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THE IMPACT OF THE PRESIDENT'S FISCAL YEAR 1988 HIGHER EDUCATION PROPOSALS ON THE STATE OF TENNESSEE

HEARINGS

BEFORE THE

COMMITTEE ON THE BUDGET
UNITED STATES SENATE

ONE HUNDREDTH CONGRESS

FIRST SESSION

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EDUCATION AND THE NATIONAL PURPOSE

> "One of the greatest accomplishments a man can attain is the power to put into words exactly what he means. That's one of the highest marks of an educated man. No matter how much schooling he may have had, he is not really educated until he has developed that ability. A few have this gift naturally. The rest of us have to work hard to acquire it, even in a limited degree. To do so is well worth all the effort we can put into it."
>
> William Ross

As we study the Administration's budget proposals for the upcoming fiscal year, one is struck with the apparent disregard of such wisdom. The President's Fiscal Year 1988 budget calls for spending cuts of $5.9 billion in education programs, representing a decrease of nearly 30 percent from the 1988 current services level.

The Administration proposes to cut $1.2 billion in funding for the Pell Grant Program, another $1.5 billion from other student financial assistance, and $1.3 billion in budget authority savings from the Guaranteed Student Loan Program. Further, the President's budget would eliminate federal funding for the Vocational Education program, representing savings of nearly $900 million.

The impact of these proposals is to simply increase the costs of borrowing for educational expenses. This is a curious policy coming at a time of growing indebtedness and soaring education costs. Reducing the commitment of the Federal government in the area of student financial assistance can only have one consequence: namely, to reduce the opportunity for many groups of students to attain the necessary education and skills to keep them competitive in an increasingly competitive world. But it goes deeper than that. The underlying philosophy in the Administration's justifications for these cuts as stated in the budget is that "students are the prime beneficiaries of their investment in higher education." Seemingly, the Administration believes that investment in an education carries no societal benefits. I strongly disagree with this assessment.

Collectively, the nation is only as creative as the sum of it's parts. It is absurd to think that we can be strong and competitive collectively if we neglect the needs of our citizens. In essence, an educated populace is the first line of defense. It is every bit as important to our national security as the military hardware which protects us.

The Budget, of course, represents the nation's proposed spending and revenue priorities. In an era of chronically high annual budget deficits and a national debt which has grown from $914 billion in 1980 to nearly $2.5 trillion by the middle of 1987, prioritizing becomes even more crucial.

Congress has made it quite clear that funding for education is a priority which cannot be sacrificed in the short-term. It is an investment in the future, an investment in human capital which requires a long-term perspective. The focus of these hearings is on proposed cuts in higher education, with particular emphasis on cuts in student financial assistance. It is hoped that the testimony received during the course of these hearings will help to further bolster the record with respect to the importance of the federal government's commitment to education.

THE REAGAN RECORD ON EDUCATION

Over the past six years, this Administration has submitted various proposals aimed at reducing funding for higher education. The American Council on Education has prepared a summary which I feel captures the essence of these proposals.

(INSERT ACE FACT SHEET: STUDENT AID IN THE REAGAN ADMINISTRATION: FY '81-FY '87)

STUDENT LOANS: INCREASED INDEBTEDNESS

The costs of attending college have been increasing steadily over the past fifteen years at the same time we are witnessing proposals to decrease levels of student aid. In December, 1986, the Joint Economic Committee released a study analyzing the indebtedness burdens assumed by students who borrow to finance their educations. That study has drawn increasing attention and makes some valuable contributions to the whole area of student aid. I would like to share some of the study's conclusions with the readers of this report.

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"In 1985-86, 3.6 million students borrowed $8.3 billion in Guaranteed Student Loans. Over 800,000 students took out about $750 million in new National Direct Student Loans in that year, and other smaller federal loan programs accounted for about $800 million more." The study goes on to say that "loans are now not just a convenience for the middle class but an important part of the way they and lower-income families finance higher education."[1]

Public college graduates leave school with an average debt of $6,685 while Private college graduates leave school with an average debt of $8,950, according to the College Scholarship Service and the National Association of Student Financial Aid Administrators. Their studies also indicate that graduates of public 2-year institutions graduate with $3,303 in average debt, while students at private 2-year institutions leave with an average debt of $4,461.

While the Guaranteed Student Loan program was intended mainly as an aid to middle-income families, it has been transformed largely into a major source of funds for low-income students. By fiscal year 1983, almost forty percent of all GSL borrowers came from families with annual incomes under $15,000.

1. Student Loans: Are They Overburdening A Generation?, by Janet S. Hansen, Director for Policy Analysis, Washington Office of College Board, prepared for Joint Economic Committee, December 1986, p 3.

2. Ibid., p. 17.

Loan sizes, in real terms, however, are shrinking. The JEC study indicates that in constant 1986 dollars, the value of an average GSL loan in the 1970-71 academic year was $2,824. By the 1985-86 academic year, the value of an average GSL loan had slipped to $2,333. During this period, the number of GSL loans more than tripled from a little more than 1 million in 1970-71, to more than 3.6 million by 1985-86.

The same holds for the NDSL program. While the value of an average NDSL loan slipped from $1,505 in 1970-71 to $902 by 1985-86, the number of loans almost doubled from 452,000 to 854,000.

Thus, as we can clearly see, as the demand for student loans increases and the value of those loans decreases, indebtedness on the part of the student becomes greater. If college costs continue to escalate and student aid is reduced, the level of debt that students incur because of educational expenses will only get worse.

The shift from grants to loans only exacerbates this problem. The College Board reports that as a percentage of total aid, distribution between grants and loans has changed dramatically over the past fifteen years. In academic year 1970-71, grants comprised 66.1 percent of total aid and loans comrised 28.9 percent of total aid. The remaining 5 percent consisted of work. Yet, by the 1985-86 academic year, grants comprised 47.8 percent of total aid and loans comprised 48.8 percent of total aid, with the remaining 3.4 percent consisting of work.

Taken together, these factors: lowering value of student loans; increasing educational costs; the shift from grants to loans; all contribute significantly to the growing indebtedness that students face. Reducing funding for student aid programs by in effect either cutting program levels or increasing the costs to students by tightening eligibility or restructuring the fee structure can only result in making it more difficult to attend college. Reducing educational opportunity affects middle-income as well as lower-income individuals. On the whole, society pays the cost in the form of lost productivity and competitiveness.

FY 1988 BUDGET PROPOSALS

The President's budget calls for a 51 percent reduction in direct investment in economic competitiveness from the 1987 appropriated levels. These cuts include a $3.7 billion reduction in funding for student aid, a $900 million reduction in vocational education, and a $100 million reduction in math/science grants. As indicated in Chart I, direct investment in education would be reduced from $9.2 billion in 1987 to $4.5 billion in 1988.

Further, the Administration's budget would reduce 1987-88 student aid funding that was enacted earlier by Congress and signed into law last year by $1.269 billion, effectively eliminating individual program aid awards to more than 2 million students.

The President's budget would cut funding for the Pell Grant program by $1.2 billion in FY 1988 by limiting eligibility to students with family incomes under $20,000, tightening the definition of independent students, requiring students have a high school or GED diploma in order to receive aid, eliminate the $5 institutional administrative allowance, and remove the 30 percent ceiling on applications that the Department can require to be validated. It is projected that these changes will remove over a million students from the Pell Grant program.

The President's budget would abolish the Supplemental Grants, College Work-Study, Direct Loans, State Student Incentive Grants, and some smaller graduate fellowship programs. These changes would eliminate more than two million more federal aid awards.

The President's budget would reduce the federal subsidy for the Guaranteed Student Loan program and cut the cost of the program by almost $2 billion. According to the American Council on Education, costs to borrowers would be increased by ending the federal subsidy of in-school interest and substituting a nine percent "guarantee fee" for the current five percent origination fee. Students would be charged T-bill rates of interest while in school, and in the third year of repayment the lender would establish a fixed or variable interest rate not to exceed the T-bill rate plus 2.75 percent. These lower rates, which would reduce lender return, plus the necessity to collect interest from each student while in school, could induce many banks to pull out of the program entirely.

Probably the most perplexing change propounded in the President's FY '88 budget calls for expanding the $5 million income-contingent loan experiment to a $600 million program. This program was specifically rejected by Congress last year and was relegated to demonstration project status. Now, before there are any conclusive results to be gleaned from the pilot program, the Administration is seeking to institute a full-blown program which under any circumstance will increase the costs of a college education to the participating families or students.

The scope of this new income-loan contingent (ICL) program cannot be understated. The practical effect of the program will be to make it significantly more expensive for those students who depend on financial assistance to attend school. Further, it is particularly discriminatory towards those who graduate from college and secure low-wage earnings.

The National Association of Student Financial Aid Administrators estimates that the cost burdens on students under the ICL program will increase dramatically when compared to the current combination of Perkins loans and Guaranteed Student Loans. The NASFAA concludes that for a $15,000 loan, with an average starting income leaving college of $18,800 adjusted for annual 3 percent salary increases, the individual will repay, under the ICL program, $35,651 over the course of 11 years. Under a combination of Perkins and GSL loans of $15,000, the same individual would repay the loan over ten years with the cumulative repayment being $20,191. These numbers assume a 91-day Treasury bill rate of 5.5 percent. Of course, under higher interest rate assumptions, the cumulative amount under the ICL program increases while the combination Perkins/GSL amount remains constant. Thus, assuming 91-day Treasury bill rates of 7.0 percent, the cumulative repayment under ICL takes twelve years and amounts to $41,295. With the assumption of 9.0 percent T-bill rates, it would require 13 years with a cumulative repayment amount reaching $49,681. Also, under the ICL proposal, yearly repayments gradually increase, as do monthly payments. While monthly payments under all three interest rate assumptions start out at a modest $56.40, they grow to $352 per month by year seven. Under the 5.5 percent interest rate assumption, month'ypayments in the eleventh and final year would be $462 per month. Under the 7.0 percent interest rate assumption, monthly payments in the 12th and final year would be $494 per month. Finally, under the 9.0 percent interest rate assumption, monthly payments in the 13th and final year would be $529 per month.

The ICL proposal is not only interest-rate sensitive, however, it is also income-sensitive. For instance, the NASFAA has calculated that under the Administation proposal, a college graduate who starts his or her career making $12,000 per year would be required to repay a $15,000 ICL over the course of 25 years. The cumulative repayment amount would reach $99,993 and monthly payments would increase from $36 in the first year, to $275 by year 10, and would increase to $718 a month by the 25th and final year.

Yet, a college graduate earning $22,000 in his or her first year, would repay the same $15,000 loan over a period of 11 years. The cumulative amount repaid would be $44,932, less than half the time and expense incurred by the lower-income wage earner. Of course, it must be remembered that under the Perkins/GSL loan program mix, the cumulative amount of $20,191 would be repaid over ten years.

Clearly, these proposals make it less and less attractive to pursue a higher education. In the case of the college graduate earning $12,000 in his or her first job, the debt burdens incurred amount to little more than garnishment of wages. Serious questions are raised as to the impact such debt would have not only on the borrower, but also, and maybe more importantly, on the next generation. The general impact of increasing debt is to mortgage one's future. A 25-year loan repayment period, a cumulative repayment amount six and one-half times the original amount, and monthly payments of $718 per month, have a practical effect of mortgaging the student's future, not to speak of the limitations it places on his or her offspring.

These proposals are unconscionable and should be rejected out of hand.

STUDENT AID IN THE REAGAN ADMINISTRATION: FY 1981-87

Fact Sheet Prepared by Charles B. Saunders, Jr., Vice President
for Governmental Relations, American Council on Education
November 1986 (revised)

SUMMARY

First Year. $200 million cut from the FY 81 appropriation for student aid passed by the previous Congress. For FY 82 President Reagan requested additional cuts totalling $332 million. Congress initially accepted, then rejected further cuts, overriding the President's veto to enact a Supplemental Appropriation setting final FY 82 funding slightly over FY 81.

However, the Omnibus Budget Reconciliation Act of 1981 phased out Social Security educational benefits, which had provided $2 billion -- one fifth of federal student aid -- in FY 81. In addition, the Reconciliation Act restricted eligibility for Guaranteed Student Loans and sharply reduced spending ceilings for other student aid programs.

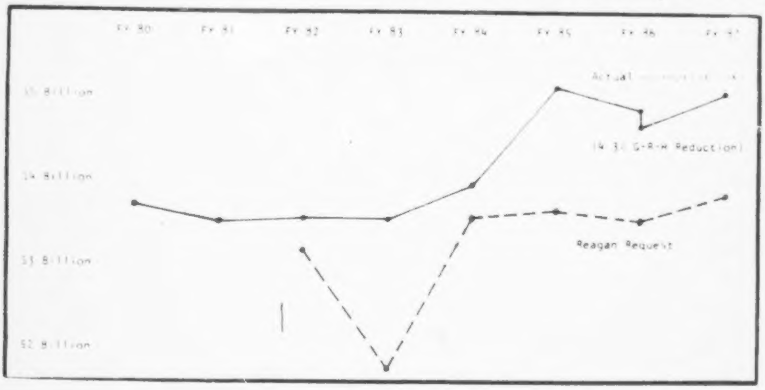
Second Year. For FY 83 President Reagan proposed a 50 percent cut in need-based student aid programs, totalling $1.757 billion in reductions. Congress rejected the cuts and level-funded appropriations.

Third Year. The President's budget for FY 84 sought about the same funding level as FY 83, with substantial program changes. Congress rejected the changes and increased appropriations for student aid by $404 million.

Fourth Year. The FY 85 budget requested a $330 million cut in student aid programs; Congress provided an increase of $1.26 billion.

Fifth Year. The FY 86 budget requested cuts in student aid totalling 1.6 billion, or 31 percent. The Budget Resolution approved by Congress rejected the cuts and permitted increases to keep pace with inflation, but the FY 86 appropriations bill held funding at the previous year's level. However, a 4.3 percent across-the-board sequester was imposed on March 1 to implement the Gramm-Rudman-Hollings deficit reduction act.

Sixth Year. The FY 87 budget sought to cut student aid by $1 billion, or 26 percent. Congress ignored the Administration's recommendations, and passed a Budget Resolution which permitted inflation increases for all education programs. The final appropriation increased Pell Grants by $400 million and restored other student aid programs to their pre-sequester levels.



FY 81 Appropriations

The FY 81 appropriation levels established by the previous Congress in the Continuing Resolution of December 1980 were reduced early in the 97th Congress. Need-based student aid programs were cut $200 million from FY 80 levels: $100 million in Pell Grants and $100 million in Direct Loans.

	FY 80	FY 81
Pell Grants	$2.441 B	$2.346 B
SEOG	370 M	370 M
CWS	550 M	550 M
NDSL	286 M	186 M
SSIG	77 M	77 M
TOTAL	$3.724 B	$3.529 B

However, the Pell Grant program suffered a real cut of $500 million below the figure required to maintain all current eligibles in the program ($2.85 billion). As a result, the maximum award was cut to $1,670 (from $1,750 in FY 80 and $1,800 in FY 79, while college costs rose 30 percent over the three-year period). Further eligibility restrictions were imposed which eliminated 150,000 students with family incomes over $25,000. Thus, the effective cut in need-based federal student aid for FY 81 totalled $600 million ($500 million Pell Grants, $100 million NDSL).

Omnibus Budget Reconciliation Act of 1981

This Act, signed by President Reagan August 13, 1981, drastically reduced spending ceilings for higher education programs for Fiscal Years 1982, 1983, and 1984. The Act effectively repealed many of the provisions of the 1980 Education Amendments and the Middle Income Student Assistance Act of 1978 prohibiting increased funding for most programs and requiring further restrictions on Pell Grant eligibility. The act made these changes:

(A) Appropriations limits were imposed on the Pell Grant program for the first time. These limits ($2.65 billion for FY 82, $2.8 billion for FY 83 and $3 billion for FY 84) foreclosed authorized increases in the maximum award to compensate for the rising costs of college.

Authorizations for SEOG, CWS, NDSL, and SSIG were set at FY 80 levels foreclosing growth in these programs through FY 84. (By contrast, the 1980 Amendments had authorized increases rising by FY 84 to $800 million for CWS, $550 million for NDSL, $200 million for SSIG, and "such sums" for SEOG.)

For FY 82 alone, these ceilings imposed a loss of $1 billion from "current policy" funding levels which would have permitted continued support for all current eligibles and reasonable growth to keep pace with inflation. In fact, however, the loss was greater than $1 billion, since final FY 82 appropriations were $378 million below the Reconciliation levels.

(B) Eligibility for Guaranteed Student Loans was restricted to students with family incomes of $30,000 or less, or unmet demonstrated need over $30,000. A five percent origination fee also was established for each new guaranteed loan, and the interest on parent loans was increased to 14 percent.

✓

Thus the cost of borrowing was increased 5 percent for all participants in the program, and the new eligibility requirements forced approximately 800,000 current borrowers out of the program in Academic Year 1982-83.

(C) Social Security educational benefits were phased out, with no new recipients as of June 1982 and current beneficiaries receiving an annual reduction of 25 percent until all benefits end in FY85. This step alone eliminated one of the largest sources of student support: in Academic Year 1981-82 some 750,000 students received social security benefits totalling $2 billion annually. The loss of these benefits placed severe strains on other student aid programs, which could not be increased to compensate for inflation.

FY 82 Appropriations

President Reagan initially proposed cuts in student aid for FY 82, and submitted further cuts in the fall of 1981. The revised recommendations represented a 30 percent cut from the "current services" level which would have implemented the 1980 Amendments and provided modest growth for inflation; a 19 percent cut from the Reconciliation Act levels; a 9 percent cut from FY 81 Levels, and a 14 percent cut from FY 80 levels (despite a 20 percent increase in the Consumer Price Index).

The President also proposed to remove the in-school interest subsidy from the Guaranteed Student Loan program, which could endanger lender participation by requiring banks to bill students for interest while in school.

Congress rejected further cuts in the GSL program, but initially sustained the requested cuts for other student aid programs. However, on September 10, 1982, a Supplemental Appropriation was enacted by overriding the President's veto, thereby rejecting the rescissions and raising the final appropriation to approximately the FY 81 level (although $378 million below the Reconciliation Act levels and $169 million below FY 80):

	FY 82 Reconciliation Ceilings	FY 82 Reagan Budget (Revised)	Final FY 82
Pell Grants	$2.650 B	$2.188 B	$2.419 B
SEOG	370 M	278 M	355 M
CWS	550 M	484 M	528 M
NDSL	286 M	179 M	179 M
SSIG	77 M	68 M	74 M
TOTAL	$3.933 B	$3.197 B	$3.555 B

FY 83 Appropriations

Massive cuts in federal student aid were proposed President Reagan's FY 83 Budget. The request for need-based aid represented a 56 percent cut below the levels of the Reconciliation Act and 50 percent below the levels for the 1981-82 Academic Year. The proposals would have resulted in a loss of over 2.4 million awards, and forced thousands of students to drop out or change their educational plans. Further restrictions in the Guaranteed Loan program were proposed to make borrowing more expensive for undergraduate students and deny access to the program for over 600,000 graduate students. Under the Administration's budget:

Pell Grant changes would have reduced the maximum award to $1,600 -- eliminating several hundred thousand middle income students from eligibility and imposing a 12 percent cut on the neediest students. Supplemental Grants (SEOG), State Student Incentive Grants (SSIG), and federal capital contributions to the Direct Loan program (NDSL) would have been eliminated. College Work-Study (CWS) would have been cut 25 percent to $397.5 million. Th TRIO programs would have been cut 47 percent to $82 million.

Guaranteed Student Loan (GSL) changes were proposed to double the origination fee from 5 to 10 percent; replace the $30,000 income eligibility cap by limiting eligibility to unmet need (cost minus family contribution and other aid); require borrowers to pay market interest rates two years after entering repayment; and remove graduate and professional students from eligibility.

Graduate Fellowships were also proposed for elimination, including $11.5 million in awards for minorities and women and public service fellowships.

Before the 97th Congress adjourned, a Continuing Resolution was enacted which set student aid appropriations for FY 83 at the following levels:

	FY 83 Reconciliation Ceilings	FY 83 Reagan Budget	FY 83 Appropriation
Pell Grants	$2.800 B	$1.400 B	$2.419 B
SEOG	370 M	0	355 M
CWS	550 M	398 M	540 M
NDSL	286 M	0	179 M
SSIG	77 M	0	60 M
TOTAL	$4.083 B	$1.798 B	$3.553 B

Thus, while FY 83 funding for these programs was almost identical to the total for FY 82, it was 13 percent below the Reconciliation ceiling and, in constant dollars, 23 percent below the FY 80 level.

FY 84 Appropriations

In its first few months the 98th Congress took several steps to increase funding for student aid. An emergency jobs bill included a $50 million FY 83 supplemental for College Work-Study. The FY 84 Budget Resolution assumed increases in the student aid programs. The Labor-HHS-Education appropriation provided increases totalling $370 million - $540 million over the Administration's budget but $332 million under Reconciliation ceilings.

The Administration's FY 84 budget represented a marked turnaround from its FY 83 proposals, but nevertheless called for further restriction of educational opportunities. Pell Grants, Supplemental Grants (SEOG), Direct Loans (NDSL), and State Student Incentive Grants (SSIG) were to be replaced by a new "self-help supplement" grant program and an expanded Work-Study program. Student aid funds would be reallocated to effect "a major philosophical shift" by requiring significantly increased family contributions, student borrowing, and self-help. To accomplish this goal the Administration proposed to modify the formulas by which Pell Grants are computed to remove many students from eligibility. By its own estimates, the net effect would eliminate approximately 1 million student aid awards.

Student Loans would be restricted by requiring all recipients to undergo a needs test and by doubling the loan origination fee for graduate students.

The Administration again proposed to eliminate graduate fellowships for minorities and women, and sought to impose a 77 percent cut on the special services (TRIO) programs.

The budget also proposed a new initiative: an Education Savings Account under which families would be able to make an annual investment of up of to $1,000 per child per year; interest and dividends would be tax-free. Eligibility for the program would be phased out at incomes between $40,000 and $60,000. Savings could be used to pay tuition, room and board directly to a college, but only for full-time undergraduates between ages 18 and 26.

The final FY 84 appropriation rejected the Administration's recommendations and increased overall funding of the current programs as follows:

	FY 83	FY 84 Reconciliation Ceilings	FY 84 Reagan Budget	FY 84 Approp.
Pell Grants	$2.419 B	$3.000 B	$2.713 B	$2.800 B
SEOG	355 M	370 M	0	375 M**
CWS	590 M*	550 M	850 M	555 M**
NDSL	179 M	286 M	0	161 M
SSIG	60 M	77 M	0	76 M
TOTAL	$3.603 B	$4.283 B	$3.563 B	$3.967 B
TRIO	154.7 M	170 M	35 M	164.7 M
Graduate Fellowships				
GPOP	10 M	14 M	0	11 M
Public Service	1.9 M		0	2.5 M***

* Includes $50 million Supplemental added in the emergency jobs bill.

** Includes $5 million added in 2nd Continuing Resolution.

*** Includes $500,000 added in the Supplemental Appropriation.

FY 85 Appropriations

President Reagan's FY 85 budget showed a slight increase for higher education - attributable entirely to a $584 million increase in the estimated cost of the Guaranteed Student Loan program. Otherwise, student aid cuts were proposed totalling $330 million, representing 913,000 awards to undergraduate and graduate students.

Grants were to be reshaped into a "Self-Help Grant Program," with students expected to contribute a minimum of $500 or 40 percent of college costs through work or loans before receiving a grant. The maximum grant would have been raised from $1,900 to $3,000, but eligibility requirements would have been restricted by raising taxation rates on discretionary family income. The Administration estimated 290,000 fewer awards would be made, and 80 percent of the requested funds would go to students with family income under $12,000.

Supplemental Grants (SEOG), federal capital contributions to the Direct Loan (NDSL) program, and State Student Incentive Grants (SSIG) were to be eliminated. College Work-Study (CWS) was to be increased $295 million.

Guaranteed Student Loan (GSL) revisions were proposed to require all recipients to undergo a needs test. The Administration sought legislative changes to increase state loan agencies' share of default and administrative costs.

The TRIO programs would have been cut in half to $82 million, and Graduate Fellowships were again proposed for elimination. An Education Savings Account was again proposed.

Congress rejected the Administration's recommendations, passed a Budget Resolution providing ample room for increases in student aid, and subsequently increased appropriations by $1.26 billion, or $1.6 billion more than requested by the President. Some $1 billion of the increase went to the Pell Grant program to raise the maximum award to $2100, and to meet previous shortfalls in the program. The increases were distributed as follows:

	FY 84 Approp.	FY 85 Admin. Request	FY 85 Final
Pell Grants	$2.800 B	$2.800 B	$3.862 B *
SEOG	375 M	0	412.5 M
CWS	555 M	850 M	592.5 M
NDSL	161 M	0	192.5 M **
SSIG	76 M	0	76 M
TOTAL	$3.967 B	$3.650 B	$5.135.5 B
TRIO	165 M	82 M	175 M
Graduate Fellowships			
GPOP	11 M	0	12 M
Public Service	2.5 M	0	2.5 M
Natl Grad Fellowships	0	0	2.5 M

* Includes $250 million for previous shortfalls and $287 million to fund $2100 Pell maximum at 60 percent of cost.

** Includes $2.4 million supplemental.

FY 86 Appropriations

The President's FY 86 budget recommended deep cuts for student aid programs, totalling $1.6 billion (31 percent) below the final FY 85 figure. Proposed Pell Grant changes would remove 808,000 middle income students and place an absolute cap of $25,000 family income on eligibility. In addition, the Administration sought to reduce the FY 85 cost of the Pell program by providing a $2,000 maximum instead of the $2,100 intended by Congress.

The Administration renewed its attempts to eliminate SEOGs, SSIGs, and Direct Loan capital contributions, while increasing College Work-Study (CWS) $257 million to $850 million.

For Guaranteed Student Loans, the Administration again proposed a needs test for all recipients, adding an absolute cap on eligibility for adjusted gross family incomes over $32,500 (estimated to eliminate almost one million borrowers). In addition, the interest rate was to be raised from 8 percent to T-bill rates, and interest rates for PLUS/ALAS loans were to be set by the lender (not to exceed T-bills plus 3 percent). Additional cost-saving recommendations included a fixed special allowance for lenders of 1 1/2 percent in-school and 3 percent during repayment. PLUS/ALAS borrowers were to be charged one percent of the loan to cover program costs, and their loan limits were to be raised to $4,000 annually and $20,000 cumulatively. The Administration again sought to cut the TRIO program in half, and to eliminate graduate fellowship support.

The Budget Resolution adopted by the Congress rejected the substantial cuts requested by the Administration, setting a ceiling for student aid programs which would permit increases to keep pace with inflation. The Resolution required savings in the GSL program totalling $100 million in FY 86, $250 million in FY 87, and $450 million in FY 88.

The FY 86 appropriation bill, enacted December 12, 1985, did not provide inflation increases in student aid programs but kept them at FY 85 levels, $1.3 billion more than the President had requested. However, on the same day the President also signed the Balance Budget and Emergency Deficit Control Act containing the Gramm-Rudman-Hollings Amendment which imposed across-the-board reductions of 4.3 percent ($200 million) in FY 86 appropriations. A later supplemental appropriation provided $146 million over the past-sequester level for Pell Grants.

	FY 85	FY 86 Admin. Request	Pre-Sequester FY 86	FY 86 Final
Pell Grants	$3.862 B	$2.691 B	$3.588 B	$3.578 B *
SEOG	412.5 M	0	412.5 M	394.8 M
CWS	592.5 M	850 M	592.5 M	567.0 M
NDSL	192.5 M	0	190 M	181.8 M
SSIG	76 M	0	76 M	72.7 M
TOTAL	$5.135.5 B	$3.541 B	$4.859 B	$4.794 B
TRIO	175 M	82.4 M	176 M	168.8 M
Graduate Fellowships				
GPOP	11.8 M	0	11.8 M	11.2 M
Public Service	2.5 M	0	2.5 M	2.4 M
Natl Grad Fellowships	2.5 M	0	2.5 M	2.4 M

* Includes $146 million supplemental.

FY 87 Appropriations

The FY 87 budget for higher education sought a $1 billion cut in need-based student aid programs. For Pell Grants, the Administration request was $800 million below the amount needed to fund a $2,100 maximum, requiring a cut of 816,000 eligibles from the current program. Supplemental Grants, College Work-Study, and SSIG were again proposed for elimination, to be replaced by a new work/grant program which would provide 681,000 fewer awards and require institutions to provide 50 percent matching funds by 1990-91. The Direct Loan program was also proposed to be replaced by a new, unsubsidized and substantially higher-interest loan program (instead of 5 percent, T-bill rates plus 3 percent accrued and compounded in school and repaid for the life of the loan on an income contingent basis) which would serve an estimated 411,000 fewer students. The proposals would reduce total awards from these programs by some two million.

Revisions in the Guaranteed Loan Program were proposed to serve an estimated 3,251,000 borrowers (619,000 fewer than currently), who would pay interest at T-bill rates until the third year of repayment, with in-school interest accrued and compounded ; T-bill rates plus 3 percent thereafter (currently borrowers are charged 8 percent, paid by the government while in school). Eligibility for unsubsidized PLUS loans would be expanded, increasing the number of borrowers participating by an estimated 343,000. But proposals to eliminate the in-school subsidy and reduce the special allowance threatened to collapse the entire program.

The FY 87 proposals also assumed the elimination of all graduate fellowships, and the continuation of the TRIO program at half its current level.

Congress rejected the Administration's proposed cuts. The Budget Resolution assumed cost-of-living increases for all education programs. The final appropriation in the FY 87 Continuing Resolution restored the funds sequestered by Gramm-Rudman-Hollings, and added $368 million to Pell Grants fully fund the program at a $2,100 maximum.

	FY 86 Final	FY 87 Admin Request	FY 87 Final
Pell Grants	$3.578 B	$3.250 B	$3.900 B *
SEOG	394.8 M	0	412.5 M
CWS	567.0 M	400 M	592.5 M
NDSL	181.8 M	190 M	193 M **
SSIG	72.7 M	0	76 M
TOTAL	$4.794 B	$3.840 B	$5.174 B
TRIO	168.8 M	82.4 M	176.4 M
Graduate Fellowships			
GPOP	11.2 M	0	11.8 M
Public Service	2.4 M	0	2.5 M
Natl Grad Fellowships	2.4 M	0	3.4 M

* Includes $100 million for prior year shortfall.

** Includes $5 million for income-contingent demonstration.

THE IMPACT OF THE PRESIDENT'S FISCAL YEAR 1988 HIGHER EDUCATION PROPOSALS ON THE STATE OF TENNESSEE

TUESDAY, FEBRUARY 10, 1987

U.S. Senate,
Committee on the Budget,
Memphis, TN.

The committee met pursuant to notice at 10 o'clock a.m., in the Student Government Legislature Building, 4th floor, Memphis State University, Memphis, Tennessee. Hon. Jim Sasser, presiding.

Present: Senator Sasser.

Staff present: Lance Simmens, senior economic counsel to Senator Sasser.

Dean Carson. We are very pleased to have with us today the senior senator from Tennessee, Senator Jim Sasser, who is conducting a field hearing for the Senate Budget Committee dealing with the issue of aid to higher education. This is a topic of real concern to all of us. We appreciate very much the University's opportunity to host this hearing, and we appreciate very much the willingness to come out and express your concerns relative to this vital issue. Senator Sasser.

[Applause.]

Senator Sasser. Well, thank you very much, Dean Carson, I want to express my appreciation to Memphis State University for allowing us access to these very marvelous facilities here, and I want to express my appreciation to all of you who come here today indicating an appreciation and a concern over the administration's fiscal year 1988 budget proposals for higher education.

OPENING STATEMENT OF SENATOR SASSER

Senator Sasser. Before introducing our first witness today, I would like to say just a few words. This is one in a series of hearings that I will be conducting across the State to determine the impact of the administration's budget request and proposals for fiscal year 1988 on higher education and also on vocational education. As I said earlier, these hearings will be held under the auspices of the Budget Committee of the United States Senate, of which I am a member, and the hearing record that will be compiled here in Memphis and later in Knoxville and Nashville will be part of the permanent record of the Budget Committee and will be studied, examined and discussed as we proceed in acting upon the administration's 1988 budget request as it deals with higher education.

EDUCATION PLAYS CRUCIAL ROLE IN REGAINING COMPETITIVE EDGE

Now it's my view that if this Nation is to regain a competitive edge in an increasingly competitive world marketplace, the education of our people will play a crucial and important role. I think the administration's budget proposals dealing with education do not adequately take this matter into consideration. For example, under the administration's budget proposal, funding for College Work-Study Programs would be completely eliminated. This would eliminate jobs for 787,000 financially needy students across this country.

Also under the administration's proposals, funding for Supplemental Education Opportunity Grants would be completely eliminated. This would, by all calculations, eliminate an additional 720,000 financially needy students from institutions of higher education. Under the Administration's proposals, funding for the State Student Incentive Grant Program would be completely eliminated, affecting about 276,000 students.

Changes in the Pell Grant program, which is the backbone of the Federal Government's efforts to try to make higher education available to needy students would affect at least 222,400 students nationwide. And under the administration's proposals, restructuring of the Guaranteed Student Loan Program would result in 207,000 fewer students being able to participate in this program next year.

In sum, these proposals make higher education, a college education, more expensive for the students themselves and more expensive for their families, because it will transfer on to the students and their families a larger burden in defraying the cost of college. This is going to mean that for many students, access to a college education will be denied to them.

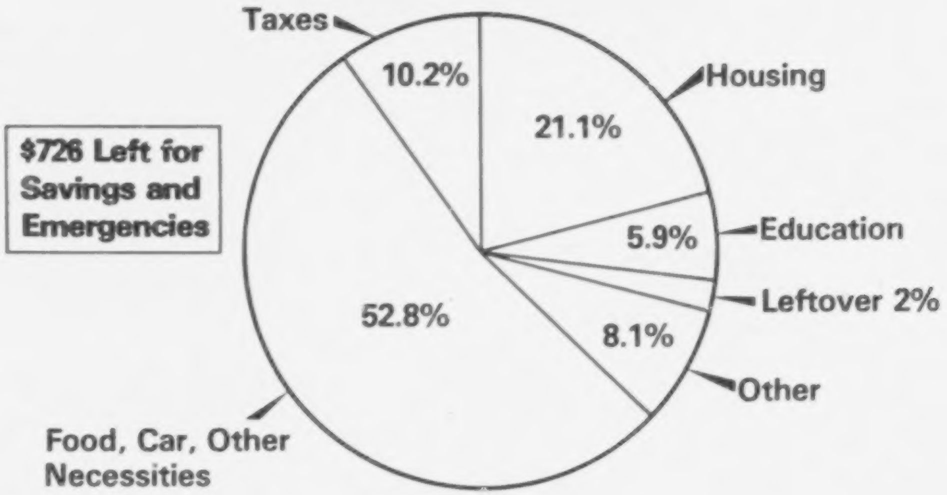
FAMILIES WITH CHILDREN IN COLLEGE FORCED TO SACRIFICE

Chart 1 that I have here shows the average expenditures of a family of four with college age students with an income of $36,302—and I might say that that income is significantly higher than the average income here in the State of Tennessee. Even with an income of over $36,000, you can see that after all of the bills are paid, including the education bills, what's left over amounts to about $726. So with an upper middle class family making $36,000 with the way these programs are being restructured, it will simply mean that they are going to have to do away with or substitute some of the necessities of life if they're going to send their children to college.

The second chart shows the actual proposed reductions in economic funding contained in the administration's budget. As you can see, this results in a 51 percent cut in direct investment in what I would characterize as economic competitiveness and in the education of the people of this country

CHART 1

Average Expenditures: Family of Four with College Age Children



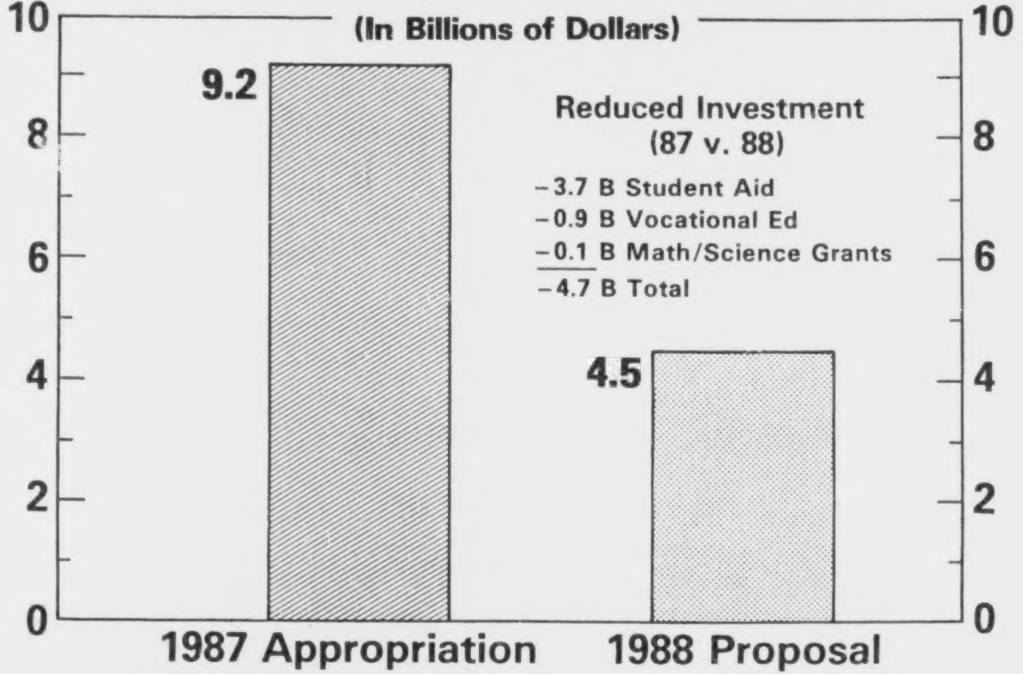
$726 Left for Savings and Emergencies

Income: $36,302

Senate Budget Committee Staff, January 13, 1987

CHART 2

U.S. Department of Education Direct Investment in Economic Competitiveness Cut 51 Percent



Prepared by: Senate Budget Committee, January 13, 1987

PENNY WISE, POUND FOOLISH WHEN IT COMES TO EDUCATION

Senator SASSER. Now these proposals may satisfy the technical requirements of trying to reduce Federal expenditures, but as Henry Ford once said: "Economy has frequently nothing whatever to do with the amount of money being spent, but the wisdom used in spending it." And I would submit that we are being penny-wise and pound foolish when we spend enormous sums of money in this country for various and sundry programs, while reducing our investment in education.

Well, why is this taking place? Why is the administration proposing this? I think some of the underlying policies that they are embracing dealing with education are misguided. For example, the Secretary of Education Mr. Bennett, himself a learned and distinguished individual, appeared before the Senate Budget Committee a few weeks ago. And he took the position that education benefits only the individual, and that a higher burden of paying for this education ought to be transferred to the student.

Now I reject that assumption. I think that educated citizens are a benefit to our whole society. They benefit our economy because their education and expertise makes us more productive. Their education makes us more competitive in the world marketplace, and educated citizens are necessary in our democracy to make our system of government work. It makes our democratic system of government more stable and more secure here at home when we have an educated citizenry.

INCOME CONTINGENT LOAN CONCEPT

So I think this is the manner in which we should approach the problem of financing education in this country. Now according to the National Association of Student Financial Aid Administrators, under a program being advanced by the Administration, the so-called Income Contingent Loan concept, if a student borrowed the money under this program to pay for his or her college education—let's say they borrowed $15,000 while they were in school—if the student, when graduating, earns $12,000 in his or her first job—say he or she became a school teacher and their salary cap was in that neighborhood—they would end up paying almost $100,000 back to the Government on a $15,000 loan over a period of 25 years. In the 24th year—they are paying back over 25 years—in the 24th year of repayment, the monthly payments would run $718. That's 24 years after they get out of college. And it discriminates against those who have lower incomes when they get out of college in favor of those who have higher incomes.

For example, if a student graduated and started making $22,000, the loan that took the $12,000 wage earner 25 years to repay would be paid back in 11 years. And the total repayment would be slightly under $44,000. So it is regressive. And the school teacher would end up paying a lot more money over the long run than say the stock broker would. I don't think that's fair. I think we ought to be encouraging people to go get an education and go into the business of educating others.

Under the current financing combination of the Perkins and Guaranteed Student Loans, the total repayment period would be 10 years, and the total repayment would amount to a little over $20,000. So you see the difference. Today the total repayment is $20,000. Under the program they're advancing it could be as much as $100,000 if a person had a lower income.

VOCATIONAL ED FUNDING MUST BE MAINTAINED

Well, not everyone can attend college, and not every one should. We need in this society, in this economy, those who are auto mechanics, those who are carpenters, those who are plumbers. Those are honored and necessary occupations. There are those who cannot attend college or do not want to attend college, they may prefer the vocational education route. The administration is proposing to terminate almost a billion dollars of Federal funding in vocational education programs.

Further, they would require that before one could qualify to go to a post-secondary vocational education school and get Federal aid, they would need either a high school diploma or require a GED for financial aid. We calculate that in Tennessee that would have the impact of eliminating 25 percent of the students in our rural counties from being eligible for Federal aid post-secondary State vocational education schools.

I could go on, but I think we have made our point, and we have a distinguished witness here this morning who is operating on a very tight schedule. So I shall suspend and just say that our first witness this morning is Doctor Willie Herenton, who is currently serving as superintendent of schools here in Memphis. He's a graduate of LeMoyne College, Memphis State University and earned his Ph.D. from Southern Illinois University. He is chief executive officer of the Nation's 13th largest school district. And Dr. Herenton is responsible for the overall management of human and physical resources in the Memphis school system. He manages an employment force of 10,500 individuals and administers a budget totalling over $300 million. Dr. Herenton this morning has indicated he will focus mainly on proposed budget cuts on the vocational education system, and I will welcome you, Dr. Herenton, and say that we are pleased to have you here today. We look forward to your observations and comments.

STATEMENT OF DR. WILLIE HERENTON, SUPERINTENDENT, MEMPHIS CITY SCHOOL SYSTEM

Dr. HERENTON. Senator Sasser, I would like to commend you for having a deep concern about the future of this State. I think your concern is indicative of the fact that you're traveling the length and the breadth of this State to give citizens and other officials the opportunity to address many of the proposed cuts as part of the administration's fiscal year 1988 budget. So I commend you for the leadership that you are exerting from your seat as a senior citizen of Tennessee.

Senator SASSER. Thank you.

Dr. HERENTON. I would also like to express appreciation to Memphis State University for hosting this hearing. Speaking as superintendent of the Nation's 13th largest school district, I'm pleased to have the opportunity to appear before this important Budget Committee. It is no secret that the American system of education is under great strain and is challenged to meet our domestic and international goals and aspirations. I find it extremely difficult to understand how the administration proposes such drastic reductions in Federal funding for needed educational programs and services.

FEDERAL SUPPORT FOR EDUCATION INADEQUATE

The current level of Federal support for education is inadequate. And for the administration to propose an additional cutback quite frankly is appalling. The President's fiscal year 1988 $1 trillion budget seeks to meet the $108 billion deficit mark by cutting $18.7 billion from several existing programs. Higher education and K through 12 programs would suffer more than 20 percent of these cuts, although they constitute less than 2 percent of the budget. At a time when trends and student needs and America's economic reliance on an educated populace are on an increasing diverted pass, the administration plans to cut $1.6 billion or about 20 percent from the Department of Education's fiscal year 1987 current service levels for elementary and secondary program is nothing less than shocking.

VOCATIONAL ED PROVIDES SOLUTIONS TO NATIONAL ISSUES

The Memphis City School Systems through its division of vocational education offers skills and technical training for students and adults in the Memphis community. During the 1985-86 fiscal year, approximately 44,000 individuals were served in 147 training programs at 36 locations throughout the Memphis area. Again, approximately 44,000 individuals are being served in 147 training programs in the Memphis area.

Vocational technical education in the Memphis City Schools provides solutions to significant national issues. I think you will all agree that it is through vocational education programs that we can curb unemployment, reduce the dropout rate, improve economic growth and reach out to the disenfranchised populations who have special needs.

ADMINISTRATION PROPOSALS WOULD ABOLISH FUNDING

The immediate effect of the Reagan administration's proposals would abolish Federal funding for program improvements and programs that serve the disadvantaged, handicap, incarcerated, single parents, homemakers, adults in training and retraining program and sex equity projects. The 1986-1987 mid-year figures indicate a projected growth of 10 percent increase in vocational programming.

The administration's proposed budget would further serve to contribute to the demise of vocational technical education in the Memphis City Schools because both secondary and adult funding would be lost. At the present time the Memphis system receives the largest portion of Federal funds coming into the State of Tennessee. This is due to the number and the type of programs offered and the various populations that we serve.

Federal vocational revenue for 1986 and 1987 was $2.9 billion—million, with State revenues being $116,000 for a total of $3,021,000.

If these funds are reduced or eliminated, this would impact approximately 547 full-time and part-time teaching positions. It would also impact 44,000 students and 70 support positions. So as you can see, it would not only have an impact in terms of reducing needed services to an urban population, it would also dramatically reduce the employment levels in our community.

Economically this proposed budget cut would negatively impact the socioeconomic status of individuals and the populations they serve. During the 1985–1986 school year approximately 35 percent of the secondary students trained in our vocational technical education programs gained jobs in entry level employment positions. 35 percent were employed vis-a-vis their completion of our vocational technical programs. These jobs were directly related to the skills training which they received. Of the 16,000 adults trained in supplementary and preparatory programs, 48 percent of those enrolling who were unemployed or under employed were employed or obtained skills for upward mobility.

Senator, given the demographics of Memphis and the fact that our manufacturing base has deteriorated drastically and we have a heavy reliance on the service sector, I think it is imperative that those funds be continued to be available to an urban population like Memphis, as well as the rural communities across our Nation.

CUTS WOULD IDLE FACILITIES AND DENY STUDENTS

If these proposed budget cuts should occur, billions of dollars in equipment and facilities would remain idle. Nationally millions of students would be denied the opportunity of pursuing vocational training in the fields of their choice. And I submit to you that this would not be fair to the students or the adults in our society. Moreover, it is my view that our society cannot afford to invest poorly in the future of our Nation. I appeal to you and other Members of Congress, to Republicans and Democrats alike, to denounce the administration's reductions in education.

Thank you for giving me this opportunity. If you have any questions, I would be very pleased to react.

Senator SASSER. Thank you very much, Dr. Herenton, just let me say that the observation that you made that 48 percent of the adults who engage in the vocational education programs here in Memphis are employed as a result of these programs or gain upward mobility skills that lead to employment as a result of them is very impressive. We have heard a lot of talk in recent years about the way our economy is growing new jobs. But one of the things that many people are unaware of is the kind of jobs being created.

I saw some rather shocking statistics the other day that indicated that 58 percent of the net new jobs in this country between 1979 and 1984 carried incomes of $7,000 or less. So when you say that Memphis is losing part of its manufacturing base, it becomes more critical to retrain our people to find jobs in other areas. It's reflected in these figures when an individual loses their job on an assembly line, a good salary, and are forced to accept a lower paying job because they don't have additional skills.

CONSEQUENCE OF ELIMINATION OF VOC ED FUNDING

Dr. Herenton, you have had a chance to look at the President's proposals on vocational education. Now basically, as I understand it, the administration's proposal would eliminate virtually all Federal funding for vocational education. Is that accurate?

Dr. **Herenton**. That's correct.

Senator **Sasser**. Now what would be the practical impact here on the Memphis School System if the Federal Government just wiped out all of their contributions for vocational education? What impact would it have on your system?

Dr. **Herenton**. Currently, Senator Sasser, we receive approximately $3 million of Federal funds. Of the total amount of funding for vocational technical education, we only receive a little over $100,000 through the State. So as you can see from those numbers, the State has very little financial participation in funding vocational and technical education.

If the Federal Government discontinues its support of vocational and technical education, the practical impact would be that there would be thousands of young people as well as adults whose training needs would not be met. We have noted, Senator Sasser, that approximately 45 percent of our students continue education in a formal 2-year or 4-year college program. Another large percentage would continue education in a vocational technical training facility. If these programs are reduced in the Memphis community, the unemployment rate in Memphis would increase significantly. You would have urban dislocation to an amazing degree.

I think the ability of this community to retrain individuals who have lost jobs, the ability of our educational system to prepare young people who are not college oriented to make a productive living would be seriously curtailed. I think we would—we would have serious social and economic problems in a city such as Memphis.

NATION NEEDS VOCATIONAL ED TO COMPETE

Senator **Sasser**. Dr. Herenton, it's clear to me that you think vocational education is a good investment for the Federal Government. If you were sitting today talking to the Director of the Office of Management and Budget in Washington who drew up these proposals, what would you tell him? How would you justify your view that vocational education is a good investment for the Federal Government?

Dr. **Herenton**. Well, first of all, I would remind the Director of Budget that the American system of education is unique in that we propose to educate all of our citizens, either through a formal degree or through some technical or vocational programs. And I would say to the Budget Director that in a time in which we face great challenges from foreign competitors, that we as a Nation can ill afford not to equip our students and adults to compete, not only in a job market in our country, but in an ever-increasing competitive job market abroad.

In my judgment, vocational technical education will help significantly to prepare our population for skilled jobs, as well as service sector jobs. I would say to the Director of Budget that to eliminate vocational education would help to create unemployment; thus we would create a larger percentage of people who are not prepared to participate economically in our system. I think it would increase dramatically the dropout rate, which is a national disgrace in many of our urban and rural centers. I think it would also create a host of social problems.

Senator SASSER. Dr. Herenton, I know that you have another engagement, and you're very good to come here this morning and share your views with us. We thank you for appearing. I think that your presentation here this morning will be persuasive to my colleagues on the Senate Budget Committee, and I intend to make sure that a number of them see your testimony. Thank you very much.

Dr. HERENTON. Thank you, sir.

Senator SASSER. Our next panel will consist of Miss Sue Harpole and Mr. Andrew Spooner. Miss Harpole is currently the director of financial aid services at the University of Tennessee here in Memphis, and Mr. Spooner is a student at the university.

Prior to serving as director of financial aid services at UT here in Memphis, Miss Harpole served as director of admissions and student affairs at Mercer University in Macon, Georgia. She received her bachelors degree in English from Mississippi State University and also received her masters degree in education from the same institution.

And Mr. Spooner, is he here?

Ms. HARPOLE. We are waiting on Mr. Spooner, Senator Sasser. I hope he's bringing a new life into the world because he certainly aged me by waiting on him this morning. He should be here any minute.

Senator SASSER. Well, Mr. Spooner is a student at the University of Tennessee here in Memphis. Let's hear what you have to say this morning, Miss Harpole.

STATEMENT OF SUE HARPOLE, DIRECTOR OF FINANCIAL AID SERVICES, UNIVERSITY OF TENNESSEE—MEMPHIS

Ms. HARPOLE. Thank you. It's good to meet you, Senator. On behalf of President Boling, Chancellor Hunt and the students at UT-Memphis, I want to thank you for the opportunity to come before you and present you with impressions and an analysis of the President's fiscal year 1988 budget, his effects or its effects on our students.

PRESIDENT'S BUDGET DETERS STUDENTS' ENDEAVORS

We have 1,708 students enrolled at the University of Tennessee; 1,232—let me stop to introduce——

Senator SASSER. Welcome, Mr. Spooner.

Mr. SPOONER. Hello, Senator Sasser.

Senator SASSER. We have awaited your arrival with eager anticipation. We're glad to see you here.

Mr. SPOONER. Rough night last night.

Senator SASSER. Sit down, I understand.

Ms. HARPOLE. Getting back, I wanted to give you some demographic data of the students who are enrolled at UT-Memphis. 1,252 are enrolled in graduate programs. The remaining 450 some odd students are enrolled in undergraduate programs. They are studying to be doctors, dentists, nurses, pharmacists and other health care professionals such as physical therapists and other technologists.

At a time when we were breathing a sigh of relief over re-authorization and putting finishing touches on a newsletter to the new students and current students, the President's fiscal year 1988 budget was introduced, and it reversed everything that you worked so hard to pass in October. The effects of the budget proposal will be drastic and devastatingly felt on the students and their parents. No more will we say that access is going to be eroded. The word eroded suggests that over time something is worn away. The effects will be immediate and drastic beginning July 1, 1987. There will be students who are intending to enroll at UT-Memphis who will be unable to because of their inability to pay.

The Pell Grant proposals will eliminate 22 percent of the current recipients. We'll lose $62,000 for 85 students in the Supplemental Educational Opportunity Grant Program. We will lose $170,000 for 85 students in the College Work-Study Program. Although the State of Tennessee over matches the SSIG Program, the Tennessee Student Assistance Authority tells us we can expect at least a 15-percent decrease. These are undergraduate programs.

We award $700,021 to 318 students from the National Direct Student Loan Program. I'm proud to say that all of these funds are from collections, Senator. We receive $1,500 in new appropriations each year. Our collection rate is very good at UT.

There's a significant danger as you have already alerted us to switching collections in the NDSL Program to the Income Contingent Loan Program. We need much more research before we go to this wide scale obviously. Early projections as you have already indicated suggest that a $15,000 loan will cost as much as six times that amount to repay. We can't afford it.

For undergraduates we use Pell, Tennessee Student Assistance Award as the foundation of aid for building a package. To that we add Supplemental Grants, College Work-Study, NDSL and GSL. We won't have those programs any more.

For graduate students the GSL Program is the sole program that we use to build a package. We add National Direct Students Loans to the awards and Guaranteed Student Loans and some College Work-Study. This is the meat of the program for our graduate students. Currently we have about 900 students who are on GSL's. This exceeds $4 million. Early analysis shows me that half of these students will lose GSL benefits.

We were pleased with the re-authorization. It met our needs. The additional amounts in GSL helped students meet their needs that were previously met with higher cost loans. The administration proposes reducing the loan limits to the previous level, increasing the interest rates and then alleviating the interest payments while the student is in school, any deferments and grace periods. This means that the loan will accrue interest the entire 4 years the student is in school and then while he or she is in graduate study as well.

A typical single UT-Memphis graduate student needs about $52,000 to go to school.

Senator SASSER. A typical UT-Memphis student?

Ms. HARPOLE. Single student.

Senator SASSER. Needs $52,000.

REPAYMENT OF EDUCATION LOAN SYSTEM LUDICROUS

Ms. HARPOLE. For 4 years. OK. He would borrow $25,000 from the Guaranteed Student Loan Program, $15,000 from the Income Contingent Loan Program and $12,000 from the Supplemental Loan Program. Upon entering repayment the student would pay $1,000 a month for 15 years, for a total repayment of $180,000. This is between 32 and 40 percent of his gross income, depending on his specialty choice, whether he's a dentist or pharmacist. This is also a projected and a very conservative level of 5 percent interest rate for a T-bill, assuming he has no undergraduate loans and assuming he or she is not married with children. This is ludicrous. Our students won't be able to afford this. I have colleagues in this room who have been in the business longer than I have. In the 8 years this exceeds absurdity. All of this assumes that we will have the Guaranteed Student Loan Program, and we all know that that won't be possible if we eliminate the special interest payments to or allowance payments to lenders and then eliminate them after the second year of repayment.

BALANCE IS THE KEY IN EDUCATION INVESTMENT

We have to maintain a balance between grants, loans and work in order to insure access and equal opportunity for our students. Students and parents in Tennessee have been willing and are willing to make the investment in education, but it has to be realistic and it has to be affordable. So far the administration's proposals meet neither requirement.

Presently we have a system that works and one that generally meets our students' needs. Every day I see students who are benefiting from the programs. Right now I have staff who are working at UT who are seeing students who have needs.

The other day I saw a student who has benefited from the programs. He's borrowed his way through school. He's worked his way through school. He has a wife and a couple of children. He plans to go back and practice in a community outside of Brownsville. He wants a general practice where he's serving families there. He laughingly told me a story of his son as he was setting the dinner table the other night. He looked up at his daddy and he said, Dad, I have learned one thing about being in this family. Bill looked at him and said, what is that, Kevin? He said, well, if you want to be a part of this family, you have to learn to like soup.

I tell you this because our students aren't flying to Florida and they're not driving BMW's. They're committed to goals, goals that will eventually serve the people of Tennessee. We have got to keep these programs intact in order for students like Bill to continue to go to school.

He's one example. There are many. Those from rural Tennessee. Those who are first generation college graduates, first generation professionals. All of them have one goal in mind, and that's to make a real difference in the health care delivery in Tennessee. They'll give us great returns on their investment.

I sometimes wish the President could come and visit our campus and see the new technologies, the new research and the way our students care for their patients. I don't think he would even suggest these cuts.

We want to be your partners in this fight. If we can provide you with further information or statistics, please call on us. For every number that we give you, there's a real person behind that. I want to applaud your efforts on the re-authorization and thank you for a job well done.

Senator **Sasser**. Thank you, Miss Harpole. Mr. Spooner, we would like to hear your comments here this morning. We welcome you here.

STATEMENT OF ANDREW SPOONER, STUDENT, UNIVERSITY OF TENNESSEE—MEMPHIS

Mr. **Spooner**. Thank you. Let me apologize again for my tardiness.

Senator **Sasser**. That's quite all right. There's an old saying if you get there before it's over, you ain't late, and you got here before it was over.

Mr. **Spooner**. The emergency room was hopping last night. I am sure you realize that my first obligation is to my patients. I hope I got enough sleep to be able to represent the students well here.

First of all, let me introduce myself. I'm Andy Spooner. I'm 25 years old. I'm a third-year medical student studying to be a pediatrician. I'm also National Representative of the Student Branch of the Association of American Medical Colleges, and I have been involved in national issues such as financial aid for almost 3 years now.

POST-GRAD FINANCIAL HELP THREATENED

Post-graduate education in health sciences, which is as Sue said, includes medicine, dentistry, pharmacy, nursing, health care and other allied health professions, is a tremendous investment and often requires a huge investment in time, money and often personal sacrifice. Those who go into these training programs eventually find that their investment was a good one. They typically find themselves in useful positions in society and are usually able, with the skills they have received in the health professional education, to find steady employment regardless of economic fluctuations. They often find their services are needed. And with the employment they receive, they can repay their debts that are usually huge.

Such long periods of schooling that are required in these professions require careful planning, planning for academics, as well as planning for finances. It has become routine unfortunately over the last few years to accept a certain amount of threat to the security of our ability to achieve our professional goals. This threat comes from proposals within the Government that health profession students do not need financial help in getting through these long periods of training.

As it becomes more clear that Government spending must be executed with more care than in the past, health profession students have come to expect a certain amount of uncertainty about their ability to get the financial aid they need. Unfortunately, right now this uncertainty has grown to alarming proportions. We are faced with a situation today where not only is our financial aid threatened to be cut, but it's threatened to be cut deeply and to be cut soon, as early as July of this year. So deep and so soon that those of us who are dependent on long-range financial and personal planning will be forced to abandon our goals, achieving a place in society that heretofore had been regarded as an important one.

We're being told through Mr. Reagan's proposals that our goals are so unimportant, so unworthy, that the Government might as well discontinue its support of our activities within several months. We are being told that since our incomes—we are being reminded of the net—as soon as we leave medical school or dental school will be in the six-figure range upon graduation, that we have no need of loans to pay our tuition, books, equipment and living expenses. This, of course, is preposterous.

The average debt of UT students or those students who have debt is $38,000, and although most of us will be able to make a living in our professions, any opportunities for large incomes come only much later; $38,000 does not go away overnight. UT is one of the less expensive health profession schools. There are other schools in this State which are much more expensive.

For those of us with wealthy parents who are willing to foot the bill for all this, there is no threat. It's fine. But for those of us who are older, whose families are on our own, whose parents may be retired and unable to help, for those of us who are from disadvantaged backgrounds or even just middle class America, the debt of college, plus the debt of graduate training, is something we need help with. Without assurances that the debt is going to be manageable in the future, our health profession schools will become the exclusive territory of the rich, who can afford it. I don't think we need to have our schools filled with such people.

WORK-STUDY IMPOSSIBLE

Perhaps Mr. Reagan believes we can work our way through school. In college I was able to do this. I was able to earn about half the cost of my college education. My parents were able to help me in the other half, and I left college debt free. This is impossible right now.

My day usually begins about 5:15 when I get up to get ready to go to the hospital to see my patients, who I must admit are not too happy to see me at 6:30. My day progresses with rounds, lectures, conferences and more rounds, until I leave the hospital in the afternoon, at which time I need to find some time to read. After all, one must study medicine to be a doctor.

Dental students are in the same boat. They're in class or in lab morning and afternoon, where believe it or not, they learn the manual skills that are required of dentists. Physical therapy students see patients in the hospitals all day. They too must find time to read. Some students can work, but for the majority of us this is an impossibility, a physical impossibility. The system is not designed for students to be employed, and it is officially discouraged from the administration of the school because it is detrimental to our education.

CAN GOVERNMENT AFFORD THE EFFECTS OF CUTS

I can sum it up this way. Number one, we need health care workers. No one can deny their importance in society. Number two, students who are willing to take on the challenge of a health care career are generally able to repay the debt they incur, even though the debt is typically huge. And number three, in a situation where more and more is being spent on activities that threaten the health of us all that is military, it is not in the best interest of our Government to pull the rug out from under the students who have planned and worked for so long to achieve careers in professions that mean so much to America.

COMPROMISE NOT THE ANSWER

One last point I would like to make. The cuts that Mr. Reagan proposes, student financial aid spending, seem—if you will excuse the expression—they seem crazy to me. Tuition is going up, and he proposes cuts in the tuition. It does not seem to make sense. The only thing I can figure is that Mr. Reagan is hoping for some sort of compromise between the levels that were approved in the reauthorization last fall and the levels he is requesting. I am asking you now to accept no such compromise. Our Government must return to pick up the responsibility, but we have to do it sanely. Thank you.

Senator **Sasser**. Dr. Herenton made the point a moment ago that although education represents only 2 percent of the Federal budget, and that in and of itself is a little shocking, that we would spend only 2 percent of our national budget on the education of our citizenry—but the point is although education represents only 2 percent of the Federal budget, it represents 20 percent of the budget cuts that the administration is proposing this year.

And I think, Mr. Spooner, you may have hit on something when you said that what the administration may be looking for is a compromise or perhaps even the Congress to save the day. What we are seeing here I think is an effort on the part of the administration to meet certain targets mandated by the Gramm-Rudman-Hollings bill. They're making no cuts in programs they're interested in. There are no cuts in the defense budget, for example. The Secretary of Defense wants again a 3-percent real increase in defense spending this year on top of the 50 percent he's had over the past 6 years. And all the cuts come in these programs like education.

So the Congress I think will not go along with those cuts. The administration can then say, well, we submitted budget proposals that met the Gramm-Rudman-Hollings target, but the Congress just wouldn't go along with them. Sort of like a political oneupmanship or gamemanship.

SELF-HELP FUNDING ESSENTIAL

Miss Harpole, let me ask you, what would the loss of the College Work-Study funding mean to your students?

Ms. **Harpole**. As Andy stated, Senator, many of our graduate students cannot work. But for the 450 students who are undergraduates, they depend on the College Work-Study Program to help meet their costs. They're employed in hospitals, they're employed in doing research, doing child care, they're practicing the skills that they're going to use tomorrow, and they're very committed to this. Not only does it provide an incentive for them to work and a good feeling, our students are interested in working and providing for part of their education, but it's $2,000—between $1,000 and $2,000 a year. It's not $300 as the President suggests.

FINANCIAL CUTS CAUSE HEAVIER BURDEN

Senator **Sasser**. Mr. Spooner, if financial aid was cut out of your education, what would happen to you. Could you continue on in medical school?

Mr. **Spooner**. Personally I consider myself very fortunate. I was fortunate enough to compete for and receive a scholarship that covers my tuition, which this year runs about $8,000. Therefore, I only have to borrow about $4,000 per year plus help from my parents to make it through school. Without this $4,000, I really don't know where I could come up with this. I mean, I will be a senior next year. I might be able to get a bank loan, but if I were any earlier in the schedule, I doubt I would be able to get that.

Senator **Sasser**. What about your fellow students? How large a role does financial aid play in their education?

Mr. **Spooner**. Well, as Sue pointed out, $52,000 is the cost of education. There are many people in my class who are in their thirties, their parents are retired, unable to help with this. You have to look at borrowing $12,000, $13,000, $15,000 a year through some sort of program or another. Just about everyone I know and everyone in the class must pay this amount. Some, a few, fortunately have got some scholarships. But this is a—it's a huge burden no matter what.

If your parents are unable to foot the bill as I mentioned, you're going to have to borrow it from somewhere. The money just has to come from somewhere, and it has to be through Government programs. We can't go to the banks and say here's a house, why don't you loan me some money so I can get through medical school or dental school or pharmacy school, that sort of thing.

STUDENTS SHOULD PAY COST OF EDUCATION

Senator **Sasser**. Secretary of Education has advanced the view that education benefits a particular individual, so that particular individual ought to foot the bill and pay the whole cost for it because he or she ultimately is going to reap the benefits of that education financially. How do you respond to that?

Mr. **Spooner**. That's a fairly narrow-minded view. Sure, we are going to get employment. We are going to get some financial benefits out of this, but our society has typically held that our professions, especially our health professions, are a value to society and contribute to society. This—if you just examine it from a cost-benefit analysis, the cost of putting a person through the health profession—meets in return later in well-trained health care professionals that can take care of our population which is getting increasingly older and increasingly more sick.

Senator SASSER. How would you respond to that concept, Miss Harpole, that the individual gets the benefit and he or she ought to pay the cost and that the Government ought not to participate in this?

Ms. HARPOLE. Senator, we can see students who are out practicing today who are serving in our small communities, who are meeting the health care needs of those older people who can't travel to the big cities. You know it's just a ridiculous thought to me that the only people who are going to benefit are the students themselves. We are going to provide care for the health of the nation.

INCOME CONTINGENT PROGRAM TOO EXPENSIVE

Senator SASSER. One final question. Miss Harpole, would you comment on the concept and the practical effects of the Income Contingent Loan Program.

Ms. HARPOLE. Senator, I have yet to see anything from the Department of Education that really outlines the program. But in what data I can gather—let's take a nursing student, for example. The cost to a nursing student is $32,000 for 4 years. If they borrow $15,000 from the Income Contingent Loan Program and the remainder from GSL and Supplemental Loan, which they will have to if the grant programs are eliminated and the College Work-Study Program is eliminated, the repayment would be $500 a month for 15 years. That's the best possible scenario, equal close to $100,000 in repayment. Students can't afford that. Our people in Tennessee do not make enough money to afford that. They won't be attending.

Senator SASSER. Well, Miss Harpole and Mr. Spooner, thank you very much for coming here this morning and giving us the benefit of your views. And just let me say, Andy, that I couldn't agree with you more about the concept that the professions ought to be open to everybody, not just those from wealthy families who can afford to send their sons and daughters to medical school and dental school. It ought to be open to all individuals in our society of competence and energy and the intellectual capacity to handle it. Thank you very much.

Our next panel includes Dr. Alan Hammond, who is the director of student aid here at Memphis State University and Miss Maria Cornelius and Mr. Wendell Fuller who are both students here at Memphis State and Miss Doristeen Shaw who is a student at LeMoyne-Owen College, and also Miss Cynthia Hogan from State Tech Institute.

Dr. Hammond will lead off, he has served as director of student aid here at Memphis State since 1973. He is a Memphian by birth and received his bachelors degree in biology from LeMoyne-Owen College and a masters degree in guidance and personnel services from Memphis State University. So, Dr. Hammond, we will start with you and get your views this morning.

STATEMENT OF DR. ALAN HAMMOND, DIRECTOR OF STUDENT AID, MEMPHIS STATE UNIVERSITY

Dr. HAMMOND. Thank you, Senator Sasser. I'm delighted to have the opportunity to provide some input and some information to you in terms of the proposed budget cuts and the budget reductions. First let me say, that I appreciate the support that we have received in terms of reauthorization, and we would ask for your continued support in the effort to offset the proposed regulations and the proposed budget reductions. One of the things that came to mind as I prepared for this hearing were two questions. Number one, what will be the impact of the budget cuts on students nationally, statewide and institutionally. Secondly, what will happen in the whole of higher education in terms of where will society go if we discontinue student aid programs? Let me address the first question by simply saying—and you have given some facts nationally as to be. My first response, Senator, is that it will be devastating. When we look at linear reduction on the Pell Grant Program and the number of students that would be affected, we are talking somewhere in the neighborhood of 222,000 plus students, on the College Work-Study Programs 787,000 students and SGL 720,000 students. NDSL we are talking somewhere in the neighborhood of 513,000 and on the State Student Incentive Grant Program in the neighborhood of 276,000 students.

BUDGET CUTS WILL EFFECT STUDENTS STATEWIDE

Taking that same picture and looking at it at the State level, we find that in the State of Tennessee that over 12,500 students would be affected in terms of $9 million that would be lost in earning capacity. If we look at the SEOG Program, the intent of the SEOG Program is to help the exceptionally needy students. Over 8,000 students would suffer from that loss in terms of $5 million. If you look at the National Direct Student Loan Program, currently there are over 10,000 students in the State of Tennessee on the National Direct Student Loan Program.

Senator SASSER. Ten thousand students in Tennessee on the National Direct Student Loan Program?

Dr. HAMMOND. Yes, sir. If we look at the State Student Incentive Grant Program of Tennessee student assistance award program, even though the Federal contribution is $1.176 million, we are talking about 19,000 students that would be affected. Now if we look at the institutional impact of that in terms of the Pell Grant Program, currently we have 3,315 students receiving Pell Grants.

Senator SASSER. That's 3,000. Is this statewide or here at Memphis State?

Dr. HAMMOND. That's here at Memphis State.

Senator SASSER. 3,000 students at Memphis State receiving Pell Grants.

Dr. HAMMOND. And that is a current figure and probably by year end will hit somewhere in the neighborhood of 3,700 students receiving that to the tune of $4.2 million. If we look at the College Work-Study Program, we have 408 students to the tune of $569,000, and to the 137 SEOG students $274,000. And on the State Student Incentive Grant Programs where the students are receiving the award to attend Memphis State University, we had 1,889 students that will lose to the tune of somewhere over half a million dollars. So if you just look at those figures, and they're astronomical and they're mind boggling, I would say the proposed cuts would be devastating.

EDUCATION WILL BECOME SECONDARY

Now if you take the second part of the question, what is happening in terms of the national priority for education, I subscribe to the fact that if these cuts are inacted, that several things will happen. First of all, we will close the door to many students who are not able to afford the cost of education themselves. Secondly, I think from the national philosophical perspective that we are sending a message to this Nation that in terms of student aid programs and in terms of education benefit that accrues to society, that that is no longer in existence.

As you are aware, starting with the program in World War II, the Service Management Adjustment Act, going through MISA and all those federal aid programs that we had, there has been a fundamental underlying concept. That fundamental underlying concept has been that it is a parental responsibility for the education of children. And in the absence of the parents ability to afford that, then the national, the State government has a responsibility.

If these programs are inacted, I see that we would have an application of a national responsibility to assist those families that have not been able to traditionally and will not be able to afford to continue to go to school.

DEPENDENT/INDEPENDENT STUDENTS NEED FINANCIAL AID

Just to give you some other idea of what might happen, let me just draw a profile of—some profile information about our student population here at Memphis State. Our average family contains about 4.2 members with about 1.4 members obtaining post-secondary education; thirty-one percent of our families are two income families. The average net worth in terms of home equity was somewhere in the neighborhood of $21,000.

Senator **Sasser**. That's home equity?

Dr. **Hammond**. Right. A sizable portion of that would be home equity. Of the information that we received, and this is somewhere in the neighborhood of 5,327 students, 88.7 percent of these students show financial need. Their average financial need for the dependent student was somewhere in the neighborhood of $3,414, and for the independent student somewhere in the neighborhood of $6,900 yearly. The astounding thing is that the average parental contribution for our student group is $537. So if you take the average parental contribution, apply it against what you say it will cost to go to school, you will see there is a sizeable gap, and the question becomes how will we fill this gap.

If we had—another significant thing is that 64 percent of our dependent undergraduate students had income in the range of zero to $20,999. So you can see if you have linear reaction in terms of Pell Grant Program, the establishment of $20,000 ceiling for eligibility for Pell Grant Program, I estimate conservatively that 35 percent of our students would be affected by any changes in linear reduction and other program changes that are being proposed.

LOAN REPAYMENT MAKES FUTURE BLEAK

My final comment would deal with the Income Contingent Loan Program. And I have heard a lot of information about that, and I have not received all the data on it. But I think that what we would be doing if we accepted the Income Contingent Loan Program we are in effect saying to students you must mortgage your future.

For example, if you look at the repayment schedule on the Income Contingent Loan Program and the student has to repay anywhere from $700 to $1,000 a month, when does that student have the opportunity to live—have a moderate standard of living because their—in placing a lot of emphasis on repayment of that loan, certainly when would that family have an opportunity to save for their children. So it becomes a tripling kind of effect where one generation after the next generation would not be able to provide any kind of assistance in terms of savings, and they would have to go to the Contingent Loan Program. And I think that would be a devastating effect on the Nation, hurt the economy, and it would certainly be a message and a signal particularly as to low income students that higher education is not the route to possess. Thank you, Senator.

STUDENT AID PROGRAMS OFFSET TUITION

Senator SASSER. Thank you, Dr. Hammond. Why don't we—I've got some questions for you in just a moment, but let's first hear from our students here, and ask each one of them to give us a little run down on where they are in school and maybe a short little biographical sketch and any statement they would like to make. We'll start with the young man here on the right. Would you identify yourself please for the Court Reporter.

STATEMENT OF WENDELL FULLER, STUDENT, MEMPHIS STATE UNIVERSITY

Mr. FULLER. Yes. How do you do, Senator Sasser. My name is Wendell Fuller. My major is electrical engineering, and I am as of now ready to graduate as of December of this year.

Senator SASSER. From Memphis State?

Mr. FULLER. From Memphis State. And as now—I can say it's close to $1,600 a semester more or less to go to school, for me that is. And the Pell Grant has played a very big part in offsetting that price and as far as other scholarships and stuff that I do receive from Memphis State. And I'm also now on College Work-Study Program which also helps, and the money that I do get from Pell Grant—and the like at the beginning of the fall semester, I have to manage that so I will be able to offset any other circumstances I'm going to have to deal with in the spring semester.

That's why the College Work-Study Program is a very important part as allowing me to sustain more or less during the semester. And without the student aid I probably wouldn't be able to go to school now because I'm from a single parent home, only my mother. And there's no way that she could have supported me and my older brother and older sister in college. So without the Pell Grants and the College Work-Study, more than likely I would be unable to attend school.

Senator SASSER. So you're going to be an electrical engineer?

Mr. FULLER. Yes.

Senator SASSER. And without these student aid programs you would not have been able to go to college in your judgment and you would not be able to be an electrical engineer?

Mr. FULLER. Exactly.

Senator SASSER. Well, I want to commend you. I'm delighted you're going to be an electrical engineer. You know last year the Japanese, with a population of half that of the United States, graduated more engineers than we did. Is is any wonder why their Sony television sets and Toyota automobiles sell so well. It is because they have got so much engineering in those things. Could we hear from you next, Maria Cornelius.

STATEMENT OF MARIA CORNELIUS, STUDENT, MEMPHIS STATE UNIVERSITY

FINANCIAL AID HELPS STUDENTS BE INDEPENDENT

Ms. CORNELIUS. I'm also a student at Memphis State University. I'm a senior and I'm majoring in journalism and will also graduate in December of this year. And I don't think it's an exaggeration of any kind to say that if these budget cuts went through I would not be a student here at Memphis State. I would not have graduated. I probably never would have had the chance to enroll.

I think it's absolutely ludicrous that they want to get rid of all these programs. I don't agree with what their trying to do. I think an opportunity for school should be open to everyone, and what they're saying is that if you're rich enough or your parents are rich enough you can go to school. If you're an independent student or dependent student coming from a low income family, you're going to have to settle on a less meaningful job. I really can't agree with that at all. I believe most of these changes probably originate from the Department of Education, which I believe William Bennett heads, and I think it's quite a contradiction on his part considering that he went through Harvard Law School on Guaranteed Student loans, and now he doesn't seem like he wants the program——

Senator SASSER. You're going to be a pretty good journalist. Let me ask you this, Miss Cornelius, are you the first generation of your family to have a college education?

Ms. CORNELIUS. My mother did not go to college, no, and she is not able to put me through college or support me, and I have also not lived with her for 7 years. That's not due to any type problem; it's just the fact that I am responsible for my own support.

Senator SASSER. Do you want to be a newspaper person?

Ms. CORNELIUS. It's possible. Actually I'm leaning—I'm leaning more towards magazine writing, and I'm also a biology major and I would like to get into scientific or medical type writing.

Senator SASSER. How about you, Mr. Fuller, did your mother have a college education?

Mr. FULLER. No, sir.

Senator **Sasser**. Are you the first generation in your family to get a college education?

Mr. **Fuller**. No, sir. My older brother did—already graduated from college, but my mother did not.

Senator **Sasser**. Your mother did not. All right. Let's hear from Cynthia Hogan now.

STATEMENT OF CYNTHIA HOGAN, STUDENT, STATE TECHNICAL INSTITUTE, MEMPHIS

NEW HORIZONS ACHIEVED THROUGH FINANCIAL AID

Ms. **Hogan**. My name is Cynthia Hogan. I'm in my second quarter at State Technical Institute. I attended Memphis State for a year and a half and then transferred to State Tech. I would never have left Savannah, Tennessee if I had not received financial aid. I would be making minimum wage or less right now probably for the rest of my life and probably the only one that's graduated. Of course, I have two younger sisters that have, but as far as graduating from high school and tried to pursue a higher education in college, I'm the only one. And without financial aid I just would not have done anything. It's plain and simple.

My parents are not financially able. They're able to take care of themselves and live a normal life and meet their bills monthly, but if I want to go to school, it's up to me. And I think—I think it's very selfish. I think education is what we are all about. We have got to—we have got to have education. I understand there's got to be a balance in the deficit that we have. But I do not feel that cutting into our education is going to help. We have got to have education.

I understand that he is trying to cut into the education and also he does not want to take any money from defense system, which I can understand. I understand we as a whole need to have a strong defense system, but if we have no educated people to know how to use the defense system, there's no sense in even having it. They're no good.

Senator **Sasser**. I think that's a good observation. In other words, we spend all this money on sophisticated weapons that take——

Ms. **Hogan**. Take education away from people.

Senator **Sasser**. Takes intelligent, educated people to operate. Along that line we find that we have a population that can't operate the weapons.

Ms. **Hogan**. Correct.

Senator **Sasser**. So we are really in trouble then. Are you the first in your family, first generation, to try to get a higher education, Miss Hogan?

Ms. **Hogan**. Yes, sir, I am.

Senator **Sasser**. Would you be able to secure a higher education without a guaranteed student loans or financial aid?

Ms. **Hogan**. I would not have even tried.

Senator **Sasser**. Wouldn't even try. And you say you would still be working at a minimum wage job in Savannah if it weren't for the student aid programs?

Ms. **Hogan**. Yes, sir.

Senator **Sasser**. So they have really given you an opportunity for upward mobility, as the sociologists say. An opportunity to get a better education and move out and get a better job in society.

Ms. **Hogan**. Yes.

Senator **Sasser**. OK. Miss Shaw, can we hear from you this morning and see what you have to say. Please identify yourself for the reporter here.

STATEMENT OF DORISTEEN SHAW, STUDENT, LeMOYNE-OWEN COLLEGE, MEMPHIS

BUDGET CUTS CURTAIL EDUCATION

Ms. **Shaw**. My name is Doristeen Shaw, and I'm a junior at LeMoyne-Owen College. I'm majoring in social sciences with a concentration in law. And I would just like to say that if these cuts go into effect, there is no way that I would be able to finish my last year at LeMoyne-Owen College. I am about a day or two older than most of the young people here, and I have—I quit a full-time job in order to get an education. And when I entered LeMoyne, I was able to get on at Federal Express at night, but that was no good because I have been on the Dean's list ever since I have been there. And at Federal Express I had to work at night, and I had 8:30 classes in the morning. There was no way that I could be at that 8:30 class getting off at 4 o'clock in the morning. It was just impossible. And this frightened me. So until—I took this particular thing on education to my sorority, and in about 2 weeks we are launching a national campaign. We are going to touch every college and university in the United States about this education cut. And if this goes through, Senator Sasser, I might as well close my books for good. There's no way I will ever be able to finish school.

Senator **Sasser**. I hate to ask a lady this, but I'm going to ask you, what is your age, Miss Shaw?

Ms. **Shaw**. 40.

Senator **Sasser**. And you decided to go back to college at the age of 40?

Ms. **Shaw**. Well, at the age of 37, right.

Senator **Sasser**. Why did you decide to go back to school, just out of curiosity?

Ms. **Shaw**. Well, I had several jobs, none were top paying jobs. I was just a bare minimum. In order to get a good job and in order to fulfill my goals, I knew I had to get back in school some way.

Senator **Sasser**. So you bumped up against the ceiling professionally because of lack of education?

Ms. **Shaw**. That's right.

Senator **Sasser**. And you made the decision to go back and get additional education so you could better yourself professionally?

Ms. **Shaw**. That's right.

Senator **Sasser**. Well, Dr. Hammond, let me ask you a couple of questions. You're familiar with the Income Contingent Loan Program that's been advanced by the Administration; is that a fair statement?

Dr. **Hammond**. That's correct.

INCOME CONTINGENT LOAN PROGRAM A NIGHTMARE

Senator **Sasser**. Well, the Administration has proposed to expand this to $600 million in the next school year, really before they gathered any results from the $5 million pilot program they ran this past year. Would you comment on the concept of the Income Contingent Loan Program and the practical implications that you think this program would have drawing on your 17 years experience in the field of student aid?

Dr. **Hammond**. OK. I will comment on the second part of the question first, if the Senator will allow me.

Senator **Sasser**. Absolutely.

Dr. **Hammond**. It would be an administrative nightmare in that institutions would be responsible for determining the consumable income of each student applicant. We would have to redo notes, repayment schedules each year. The problem of keeping up with students would be a headache. I just don't—if students transferred to another institution, what happens. There's so many unanswered questions about the Income Contingency Loan Program.

From a very practical aspect of it, I think there is an erosion of the students ability in the future to pay for the cost of education in that you're talking about a higher interest rate, you're talking about limits that—I think that there should be limit on student loans. If we extend that upper limit up to $50,000, then a student is effectively mortgaging their future.

Now to respond to the first part of your question, generally I am opposed to an Income Congentincy Loan Program because as you pointed out Income Contingency Loan Programs tend to be regressive in nature in that the lower income family pays a higher cost and the higher income pays the lesser cost. And any Income Contingency plan to me should be based upon equity and the student's ability to reasonably repay a student loan.

BENEFITS OF COLLEGE WORK-STUDY PROGRAM

Senator **Sasser**. Well, as a follow up, could you tell us what you perceive to be the benefits of the College Work-Study Program? As you know, the administration has proposed eliminating the College Work-Study Program, and what would be the impact of the elimination of this program for Memphis State?

Dr. **Hammond**. For Memphis State University we are talking somewhere in the neighborhood of 500 students that would have an employment opportunity. Also—and there's one important feature I think about the College Work-Study Program that many times we tend to forget or people tend to forget in that it is an excellent opportunity for a student to be independent. It's an excellent opportunity for a student to learn job skills to return to their curriculum. And it teaches a student how to get along with people. So it's a very valuable kind of experience for students.

In terms of an economic impact in the Memphis area, if we lost the jobs here on campus on the College Work-Study Program, I am not sure that we'd be able to—those students would be able to be absorbed into the overall economic picture in terms of job market in the Memphis area. It simply would be devastating.

In terms of the institution's ability, we would lose a sizeable portion of our work force, and we would have to replace the $500,000—approximately half a million dollars in institutional funds just to manage some kind of employment program.

EDUCATION SHOULD BE PRIMARY GOAL OF GOVERNMENT

Senator SASSER. Let me ask the students some questions here. I assume that all of these students—I don't want to put words in your mouths, but would you agree or disagree that the Federal Government should have as its goal or one of its goals to provide the opportunity to attain higher education by providing financial assistance. What do you say about that, Wendell?

Mr. FULLER. Yes, sir, I do feel that they should have some input by the fact if we can gain a higher education, get one of the better paying jobs, the money that we make can still go back into the system as far as paying more taxes or whatever.

Senator SASSER. Do you agree with that, Miss Cornelius?

Ms. CORNELIUS. Yes, sir. I think the benefit goes to both the person and the society. It's definitely not just the students receiving the dividends of the education.

Senator SASSER. How about you, Miss Shaw?

Ms. SHAW. I agree that the Federal Government should, because as Wendell said, when we do get—if and when we do get a higher paying job, our money will be going right back to the system. And, of course, the service that we perform would be beneficial to others also.

Senator SASSER. Miss Hogan, do you think the Federal Government has got a role to play in ensuring that citizens have the opportunity to get higher education?

Ms. HOGAN. Yes, sir, I feel that that should be the primary goal, to make sure that the opportunity for us to have an education is there. We should have the choice if we want to go to school or not.

Senator SASSER. What do you say about the proposition that only the individual benefits from an education and the individual ought to pay for it?

Ms. HOGAN. Who is going to benefit if we graduate from college and make $60,000 and we are paying tax dollars? We are not the one benefiting from those tax dollars. We are paying them right back into the system, so we're not the ones—everyone benefits.

Senator SASSER. Well, I think you're absolutely right, but the statistics indicate that the return to the Federal Government by way of—just be totally mercenary about it—the return to the Federal Government by way of taxes coming back over the work lifetime of a college graduate are considerably more than that of simply a high school graduate and more than defrays the cost of public education.

CAN'T WORK WAY THROUGH COLLEGE THESE DAYS

Well, I think you've made yourselves clear today, and you made excellent witnesses, and I thank you all for appearing here. I wish that I could take some of you back to Washington with me and maybe let you have an opportunity to discuss these matters face to face with Secretary Bennett, the Secretary of the Department of

Education or maybe even go to the Oval Office and discuss this matter with the President himself.

I have heard the President say to some of us, well, I don't see why they can't get out and pay for their own education. That's what I did when I went to college—what is the name of that college—Eureka College. That is what the President told us one day, sitting around a table in the cabinet room—I remember it vividly. Now Majority Leader, then Minority Leader, Senator Byrd raised the point that, Mr. President, these college expenses are so high now and I've got grandchildren that are trying to go to college, and my daughters and their families are having a terrible time paying for, we need to give them some assistance. To which the President responded, well, I went to Eureka College, and I worked my way through and I paid my own way, and I don't see why these youngsters can't do that now.

Well, the answer to that is that college expenses and the cost of going to college is much, much higher than it was when the President was working his way through Eureka College. And many of the students are willing to work, willing to do whatever they can to get a college education. But I think as Miss Shaw indicated you can't work your way through entirely these days; it's just simply something that is beyond the capacity of most students.

I want to thank all of our witnesses who appeared here today. They have been very helpful. The testimony that we have gleaned here will be printed as part of the official hearing record of the Budget Committee of the United States Senate. This testimony will be read by various staff members, will be read by some of the Senators, and I think the testimony will help me and others greatly in preparing for deliberations on the budget for fiscal year 1988.

Now we are going to keep the hearing record open for an additional 30 days in the event some interested citizens wish to make their views known. Within the next 30 days if they'll just write us a letter or bring their written statement by my office here in the Memphis Federal Building, we'll see that it is included in the record.

I want to again express my appreciation to Memphis State University for their splendid cooperation for allowing us access to these marvelous facilities. And also I want to express my appreciation to Memphis State University for this cup and saucer here which I'm going to have on my desk in my office in Washington. Unfortunately, we were unable to get any coffee for it this morning, but I'm going to remedy that very shortly.

Thank you all for coming, and these proceedings are officially adjourned.

[Whereupon, the hearing concluded at 11:40 a.m.]

THE IMPACT OF THE PRESIDENT'S FISCAL YEAR 1988 HIGHER EDUCATION PROPOSALS ON THE STATE OF TENNESSEE

WEDNESDAY, FEBRUARY 11, 1987

U.S. SENATE,
COMMITTEE ON THE BUDGET,
Knoxville, TN.

The committee met, pursuant to notice, at the University of Tennessee-Knoxville, Knoxville, Tennessee, Hon. Jim Sasser, presiding.

Present: Senator Sasser.

Staff present: Lance Simmens, senior economic counsel to Senator Sasser.

Senator SASSER. First of all, I'd like to welcome all of you here this morning and tell you that this is one in a series of hearings I'm conducting across the State of Tennessee to determine the impact of the administration's fiscal year 1988 budget proposals on higher education and on vocational education.

These hearings are being held under the auspices of the Senate Budget Committee of which I am a member. The hearing record will be made available to the staff of the Senate Budget Committee and to the Senators who serve on that committee in order to help them make determinations about whether or not to adopt the administration's proposed cuts in student aid.

OPENING STATEMENT OF SENATOR SASSER

Senator SASSER. Let me just begin by saying that, in my view, if our country is to regain a competitive edge in what is becoming an increasingly competitive world, education must play a crucial and critical role.

It appears to me that some seem intent on making American students the foot soldiers in the battle of the budget.

Although education represents 2 percent of the expenditures in the Federal budget, it's being asked this year to take 20 percent of the cuts proposed in this year's budget.

STUDENT AID PROGRAMS AFFECTED BY CUTS

Under the adminstration's budget proposal, funding for the College Work-Study Program will be totally eliminated. This would eliminate jobs for 787,000 financially needy students all across this country.

Also, under the administration's budget proposals, funding for Supplemental Educational Opportunity Grants will be completely eliminated. This would deny 720,000 financially needy students access to this particular program.

Under the administration's budget, funding for the State Student Incentive Program would be completely eliminated, wiping out 276,000 students who presently participate in this program.

Also, proposed funding cutbacks and structural changes in the Pell Grant program which, I feel, is really the backbone of student aid in this country, would affect at least 222,000 students nationwide.

Under the budget proposal that we are being asked to adopt, restructuring of the Guaranteed Student Loan Program would result in 207,000 fewer students being able to participate in this program next year.

So in sum, these proposals taken together would have a major effect on higher education, principally by making it much more expensive for literally hundreds of thousands of students across this land.

In many cases I fear it would mean the difference between attending college and not attending college for hundreds of thousands of our young people.

REDUCTION IMPACT FELT BY FAMILIES AND COUNTRY

Now, the first chart [1] that I have asked to be set up here shows the average expenditures of a family of four college-age children. Now this is a family that would be characterized as a middle-class to perhaps even an upper middle-class family, with an income of $36,302 a year. That's considerably above the average income in the State of Tennessee.

And even with an income of $36,302 a year, you see that this family of four with college-age children has only 2 percent of their income left over, slightly over $700 to take care of various and sundry contingencies after the necessities of life are paid for and after a certain percentage of their childrens' college expenses are paid for.

Now the second chart,[2] I think it even more vividly demonstrates how these proposed reductions will impact on education in this country.

In 1987, we spent $9,200,000,000 on aid to students which would enhance the ability of this country to compete. These programs included direct student aid, vocational education, and grants in Mathematics and Science.

We see in the adminstration's fiscal year 1988 budget proposal that this aid would be cut by more than half.

Cuts in all three of these categories would impact adversely on our Nation's ability to stimulate economic growth and economic competitiveness.

EDUCATION CUTS PENNY-WISE AND POUND-FOOLISH

Now, the proposals that have been advanced by this administration in education may satisfy the very technical requirements of the Gramm-Rudman-Hollings Balanced Budget Act, but Henry Ford once said, "Economy has frequently nothing whatever to do with the amount of money being spent, but with the wisdom used in spending it."

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[1] See chart on p. 3.

[2] See chart on p. 4.

And I think we are being penny-wise and pound-foolish when we shortchange the education of our most valuable resource in this country, and that is, our human resource, in the education of our population.

Why are these proposals being advanced? I think they're grounded in fallacious assumptions of which consequently lead to a misguided public policy.

For example, the Secretary of Education, Mr. William Bennett, appeared before the Senate Budget Committee in an effort to justify these proposed budget proposals several weeks ago, and he took this position, he said, "Senator, why shouldn't the students pay for their entire education? After all, they are the ones who benefit. It benefits only them individually."

Well I think that proposal and that theory is incorrect. I think that an educated man or woman benefits not only themselves, but they benefit our overall society. They are vital to this country's ability to compete.

We can see that the statistics are very, very convincing. One who's had access to higher education over their lifetime has a much larger earning capacity. And to be totally mercenary about it, pays a much higher percentage by way of taxes into the Federal Treasury over their lifetime.

INCOME CONTINGENT LOAN SHORTCOMINGS

Now, it is the concept that education only benefits the individual that leads the administration to advance a proposal such as the Income Contingent Loan Program.

The Administration proposes expanding this program even though their demonstration project at this time has not been fully evaluated. And while it may look appealing on its face, when one peels back the Incoming Contingent Loan concept and sees what it really does, its shortcomings are nothing less than astounding.

For example, according to the National Association of Student Financial Aid Administrators, under this program, if a student graduates from college—let's say a student graduated from college and went into the teaching profession and earned $12,000 a year on his or her first job and remained fairly well within that earning capacity range for a period of years, they would end up paying back almost $100,000 on a $15,000 loan over a period of 25 years. In the 24th year of repayment, the monthly payment would run $718.

Now, if the same student graduated from college and started with the salary of $22,000, the loan would be repaid in 11 years and the total repayment would be slightly over $44,000 a year.

So you see how regressive this is. It means that the student who gets out and has a lower earning capacity would be paying much more over a much longer period of time than the student who has the higher earning capacity.

And this would certainly discourage many of our young people from going into vital professions, esteemed professions, which happen, unhappily, not to have high financial rewards, like teaching.

Now under the current financial combination of Perkins and Guaranteed Student Loans, the total repayment over 10 years, for the same $15,000 loan would be a little over $20,000.

So clearly, to expand the concept of this Income Contingent Loan Program would be to mortgage the future not only of the individual involved, but really of the next generation as well.

Because if a parent is struggling for 20 years to pay off the loan they borrowed to attend college, how in the world will they be in a financial position to help their children when it comes time for them to go to college?

So you simply strap one generation into the grinder so that when it comes time to educate their children, they don't have the resources to do it.

VOCATIONAL EDUCATION VITAL TO SOCIETY

Well, I think a word ought to be said about those who don't go to college. Not everyone in this country can attend college or even should attend college. There is a need for carpenters and plumbers, there is a need for those who go into skilled trades. They are honorable and distinguished and necessary occupations. Over the years, vocational education funding has been very helpful in this regard.

Under the proposals being advanced by the administration, before one would be eligible for financial aid in the State's post-secondary vocational schools, they would either have to produce a high school diploma or have a GED. In Tennessee this would have the effect of eliminating 25 percent of our students in rural countries from the post-secondary vocational training system.

Well, I could go on and on, but I think I have made my point. I look forward now to hearing from our witnesses who are here this morning. Our first witness is a man of distinction here in Knoxville and indeed all across our state.

Chancellor Jack Reese has been the Director of the University of Tennessee here in Knoxville for almost a quarter of a century. He previously served at the University as an Associate Vice-Chancellor of Economic Affairs and as Dean of Graduate Studies. He's a member of the Executive Committee of the Tennessee Technology Foundation and a member of the Board of the Greater Knoxville Chamber of Commerce.

Dr. Reese received his Bachelor's degree from Berea College and both his Master's degree and Doctorate from the University of Kentucky.

Dr. Reese, we look forward to your testimony this morning and we'll be pleased to receive your statement.

STATEMENT OF DR. JACK REESE, DIRECTOR, UNIVERSITY OF TENNESSEE—KNOXVILLE

Dr. REESE. Thank you, Senator Sasser. You and members of your staff, we are always delighted to have you on campus, and we are honored that you will report to the Senate Budget Committee the campus's thoughts on proposed reductions in student aid programs.

Today's other speakers will illustrate on a personal basis the hardships the administration's recommendations would have on students and their families. I would like to address very briefly the impact on the University of Tennessee, Knoxville, and even more important, the potential effects on the nation.

STUDENT AID REDUCTIONS AFFECT MANY

In taking the broader view, I want in no way to downplay the individual tragedy to a significant number of students who will suffer if Congress should follow administration proposals that would, as you have indicated, eliminate completely three very important assistance programs and severely cripple another.

Rarely have I seen the Nation's higher education community as united as it is on this issue. My remarks today will largely be a restatement and reinforcement of ideas being widely discussed in Washington and on campuses across the nation.

I do not want to overwhelm you with numbers, but it is imperative that they be used in attempting to portray the effects of the proposals on students and the institution. Throughout these remarks, please keep in mind that in every case, students who need assistance the most will be most directly affected by the cuts.

In 1985-86, the latest year for which we have complete information, out of an enrollment of 25,000, the University had approximately 665 students receiving Supplementary Educational Opportunity Grants. Of the approximately $390,000 that were received in SEOG grants, that amounted to an average award of about $590 per student. That's just slightly more than half of our yearly instate tuition, leaving the remainder of the fees, book, and living expenses to be paid by the student and his or her family. SEOG grants go to individuals with the greatest financial need. The administration wants to eliminate this program completely.

Approximately $3.8 million in Pell Grant funds are awarded annually to more than 3,000 UT-Knoxville students. The average grant was slightly more than $1,200 last year. The Pell Grant program is slated for a 31-percent reduction. And again, many students who need help the most would suffer the greatest loss.

The State Student Incentive Program (SSIG) is also marked for termination. This program requires at least a 50 percent match of funds by the State. Every year our state legislature has seen fit to overmatch. On this campus, more than 1,900 low income students were awarded almost $900,000, an average of about $415 per student.

But perhaps the most disturbing news, as you have indicated, is the planned elimination of the College Work-Study Program and the rhetoric used to defend this unreasonable action.

Last year, 800 students earned an average of $1,000 each for their part-time work in campus academic and administrative offices. Elimination of College Work-Study funding would also eliminate funds for the very active Job Location and Development Program at this University. You may know that this service finds part-time jobs with Knoxville area businesses for our students. Last year 737 students were placed in jobs in which they earned an estimated $785,000.

Education Secretary Bennett has said, among other things, that Work Study is a free labor force for colleges and universities. He takes no notice of the fact that students usually are placed in jobs related to their fields of study, and that work in their academic areas is a vital part of the educational experience. Also, he seems to forget that educational institutions match the Federal funds allocated for this program.

Secretary Bennett has been vocal in his comments that American education is too soft and that students do not spend enough time on homework. If the Work Study program is eliminated, more students will be forced to take jobs at night, outside the university, thus reducing the hours they have to study or do their homework.

NO FREE EDUCATION RIDES AT TAXPAYERS' EXPENSE

The administration's attempts to justify the claim that "there should be no free educational rides at the taxpayers' expense" is without logic or foundation. The argument that enough student loans will be available to replace the money lost from grant programs and Work Study would simply not be true on this campus.

Without going into a complicated explanation of loan programs, let me say that we currently do not have enough loan money to meet our students' needs, and National Student Defense Loans are targeted for administration cuts.

In addition, the Graduate and Professional Opportunity Program (GPOP), an excellent fellowship program designed to attract additional blacks and women to graduate schools, is also slated for reduction.

Just this week we received some preliminary information on the Income Contingency Loan Program, and we agree that a closer examination reveals that is a terribly regressive structure which would penalize students who earn the lowest salaries.

FEDS IN DANGER OF REGRESSING ON EDUCATION

As vital as all of these programs are to students and their families, I find discouraging the messages that accompany these proposed reductions. If they are approved, the federal government will abdicate its role in providing educational access to all Americans.

Since Jefferson's administration, the Government has embraced the societal benefits of education.

Throughout our history as a nation, the Federal Government has been increasingly involved in providing educational opportunities for its citizens.

Three landmark pieces of legislation that illustrate that commitment come to mind: The Morrill Act, which established Land Grant Institutions, the various forms of the "G.I. Education Bills," and the present Reauthorization Acts. After being so instrumental in all the years in providing education opportunities for so long, the Federal Government is in danger of regressing, as witnessed by the present budget. Not only individuals, but the Nation as a whole, would suffer the adverse consequences.

It sounds almost like a cliche to mention education's role in advancing or just maintaining America's competitive edge in world markets, but our educational system will determine our success in this global economy.

BUDGET CUTS REDUCE MINORITY ENROLLMENT

A public university like this one has a special obligation to accommodate all qualified students, and we have in the past few years undertaken an aggressive campaign to increase the number of minority students at UT-Knoxville. Blacks have for too long been under-represented on university campuses, and in recent years the percentage of black high school graduates going to college has declined. Our minority recruitment efforts will suffer greatly if financial assistance programs are reduced.

In closing, let me say that UT-Knoxville recognizes that we must do our part to gain control of the Federal deficit. The University recognizes and appreciates Congressional action over the last 2 years in a reauthorizing process which provides sufficient funds for students, while protecting the Federal taxpayer. It is regrettable that Secretary Bennett and the administration officials chose to ignore this reauthorization in their budget submission.

Senator Sasser and the rest of the Tennessee delegation know that UT's first priority in Washington has always been to seek funding for a flexible financial aid program that meets the needs of our students. We greatly appreciate Congress' appropriating much more student aid money than the administration recommended.

Thank you for your interest in this issue and for your visit to UT-Knoxville. We're all grateful for the splendid support that you've given to the issue of financial aid to students.

Senator **Sasser**. Chancellor Reese, thank you.

Dr. **Reese**. It's my pleasure.

INCOME CONTINGENCY LOAN PROGRAM NOT FEASIBLE

Senator **Sasser**. I wonder if I might get you to elaborate on one or two points. One, have you had the opportunity to look into the Income Contingency Loan Program enough to comment a little further on that particular program as to whether or not it would be either feasible or desirable for the majority of students here at the University of Tennessee presently receiving financial aid?

Dr. **Reese**. Well, as you indicated, it's an incredible regret—I have some figures here. But the ones you cited are even more horrifying.

It simply is not in the students interest to be strapped with what looks like a home mortgage on getting out from college. And the income differential for pay back is also absolutely horrifying.

Senator **Sasser**. Would you agree with the assessment that if a student who comes to the University of Tennessee understands that they may be strapped with a 20-year pay back, that this would have a very chilling effect on young people seeking higher education?

In other words, if they're faced with the dilemma of either assuming an indebtedness that could run as long as 20 years or not going to college it would be my guess that many of them simply would choose not to go to college.

Dr. **Reese**. Yes, sir. I should think they would really feel that there's no alternative. I think that would particularly apply to low income families who really would be terrified to assume such an obligation.

EDUCATIONAL AID RECEIVED BY MAJORITY OF STUDENTS

Senator **Sasser**. What percentage of the total student body here at the University of Tennessee is presently receiving some form of Federal student aid?

Dr. **Reese**. Let me ask some folks from Financial Aid. This is John Mason, Director of Financial Aid, Senator.

Mr. **Mason**. I think your question was, how many students are receiving some form of Federal aid, not just financial aid?

Senator **Sasser**. Well, yes, Federal aid. But put that into percentages, if you happen to have that at hand.

Mr. **Mason**. I don't have the exact number. But the percentage would run somewhere in the neighborhood of 50 percent. Overall here on campus, including institutional aid, scholarships and things like that, we have somewhere in the neighborhood of about 17,000 students, so it would be somewhere in the neighborhood of 60 some, between 60 and 75 percent or so.

Senator **Sasser**. About 50 percent of your students are receiving some form of Federal aid?

Mr. **Mason**. Yes, sir.

Dr. **Reese**. Both Federal and private.

Mr. **Mason**. I put that down as specifically Federal aid, which could be some, like the State portion of the SSIG, but it would have Federal Title IV monies involved.

Dr. **Reese**. When you add onto that the number that might be receiving aid other than Federal aid, it would be about 60 percent.

Mr. **Mason**. About 17,000.

Dr. **Reese**. I think that's right.

Mr. **Mason**. About 17,000 of our 25,000 students receive some form of aid, an academic scholarship, you know, or some other type of assistance.

PROJECTED IMPACT OF FEDERAL AID CUTS

Senator **Sasser**. Thank you, very much. Let me ask you this, Chancellor, and you may want to turn to one of your financial aid officers to get the information. But in the event that these cuts were adopted, what impact would it have on the students here at the University; that is, as to the percentage that might drop out or not continue with their education? Have you had an opportunity to make a study or an evaluation in that regard?

Dr. **Reese**. I'd be a little bit hesitant to pull a number out. But John may have some better ideas.

Senator **Sasser**. John, can you give a ballpark——

Mr. **Mason**. To my knowledge, we've not looked at that aspect of it. The only thing that I can say about the new Contingency Loan Program, that students I've talked to that have come to the office to ask for more information on that program, have an indication that it looks like we would have to get on a push to go into occupations that we can earn more money than some of the others. Now, that's the only type of comment like that.

But to answer your question concerning any kind of study, we have not, in the Financial Aid Office, attempted to do that.

Senator SASSER. Well, would it be fair to characterize the drop out rate as substantial if these proposals were adopted, would it be a fair statement to say that there would be a substantial number of students that would drop out of the University of Tennessee?

Dr. REESE. Yes; I don't think there's any question about that. We do pretty careful tracking of students who stay in school and those that do not, those that drop out for one reason or another. And a very substantial percentage of students who do not continue, drop out for financial reasons. I'm convinced the number would be increased dramatically.

SCHOOL/FED/INDUSTRY RELATIONSHIP KEY TO ECONOMIC GROWTH

Senator SASSER. Chancellor, there's been a lot of talk around the country and in Congress about the problem that we in this country have with competitiveness. Do you see any inconsistencies in calling for increased competitiveness on the part of officials in Federal Government on one hand, and then on the other side of the coin, advocating education cuts? And if so, what is inconsistent about that position?

Dr. REESE. Well, Senator, as you know, higher education has become more and more active directly in economic development. There are a number of national studies by the administration that have indicated that the real key to future sound, responsible economic growth will depend upon the right relation among universities, the Federal government, private industry and State government.

We would like to think that we have a financial model here with the Oak Ridge National Laboratory. The results are very clear and I think are very convincing.

But it does seem ominous that if the Federal Government believes that on the one hand, and then withdraws support for education on the other, that seems to be remarkably inconsistent.

Senator SASSER. It just seems ironic to me that we are talking about being more competitive, and here we are withdrawing aid to education at a time in our history when we're graduating fewer engineers, for example, than the country of Japan which has half of our population, and they're graduating more engineers. Is it any wonder that maybe some of their Sony television sets and Toyota automobiles work so well? They've got a lot more engineers.

Chancellor, thank you very much for appearing here this morning and giving us the benefit of your views. You've been very helpful.

Dr. REESE. Thank you, Senator.

Senator SASSER. Our next panel of witnesses will be three students from the University of Tennessee-Knoxville campus. They are: Ms. Zena Denise Thomas, who is an undergraduate in the Engineering school here at UT; Mr. Harmon Scott Mitchell, a student of the College of Business, and Ms. Bethany Neely, undergraduate in the College of Liberal Arts.

So would those three students please come forward and join us here at the witness table?

We've got a reporter here who's got to get down what you say. In order to do that, she's got to be able to identify who is who. I know how you are. Would you identify yourself for the purpose of the Court Reporter, please? Scott, why don't we start with you.

Mr. MITCHELL. I'm Harmon Scott Mitchell.

Ms. THOMAS. I'm Zena Thomas.

Ms. NEELY. And I'm Beth Neely.

Senator SASSER. Scott, we'll start with you. Just give us your ideas about this proposal for student aid. Do you have any statements to make on that or any observations?

STATEMENT OF HARMON SCOTT MITCHELL, STUDENT, COLLEGE OF BUSINESS, UNIVERSITY OF TENNESSEE—KNOXVILLE

Mr. MITCHELL. Well, I would like to say that probably because I work at the Financial Aid Office, I am—all my educational expenses are primarily paid for by financial aid.

I receive a State grant, the Pell grant, the National Direct Student Loan, which is now the Perkins Loan. And what else. And College Work-Study. That's the job at Financial Aid is the College Work-Study Program. Without—with the cuts proposed in these programs, it would, you know, totally destroy my chances of staying in school full-time.

I have taken part-time jobs over breaks. I've even joined ROTC, the Army ROTC, here at school to get a little bit more money, to give me a little more future security.

One of the reasons I did join ROTC is that I have, over the years, had a feeling that graduate school would really be beyond my means financially. And I always felt that ROTC was just for the brains. That's not true, but that's the image I've grown up with.

It would be financially difficult to make payments, to pay for any kind of loan that I would have to get to get through graduate school.

ROTC would be sort of my graduate school, is that I'm looking forward to. The responsibility I would get through that would give me a boost into the business world.

LOSS OF STUDENT AID ALTERS SCHOOL ATTENDANCE

Senator SASSER. Well, Scott, let me ask you this question, would you be able to continue here at the University of Tennessee if you lost your student aid programs?

Mr. MITCHELL. No, sir, not on a full-time basis. I'd hope to at least try to get a full-time job, maybe go to evening school or something like that. And if I did have a part-time job, I'd have to drop out of ROTC. That, you know, would further hamper any future plans as far as career advancement.

Senator SASSER. Well, Zena, could we hear from you now? And then I want to come back and ask all three of you some questions.

Do you have any statement or testimony that you would like to put forth for the record today?

STATEMENT OF ZENA DENISE THOMAS, STUDENT, SCHOOL OF ENGINEERING, UNIVERSITY OF TENNESSEE—KNOXVILLE

Ms. **Thomas**. I currently receive College Work-Study and Supplemental Grant, GSL and Pell Grant. I'm an out-of-State student, and I work in Financial Aid. I've been working there for the last year under the College Work-Study Program. And I also wouldn't be able to attend college, especially not out-of-State, with the cuts that you have proposed.

Senator **Sasser**. Well, I'm reminded that we haven't proposed those. These are being proposed by the Reagan administration, and the Office of Management and Budget. We are going to make a determination about whether or not to adopt them. I'm not very enthusiastic about that, as you can see.

Ms. **Thomas**. I'd also like to say that I'm the first, I'll be the first college graduate in my family. And this is really important to me to my family.

Senator **Sasser**. Beth, do you have a statement that you would like to make?

STATEMENT OF BETHANY NEELY, STUDENT, COLLEGE OF LIBERAL ARTS, UNIVERSITY OF TENNESSEE—KNOXVILLE

Ms. **Neely**. I'd like to give a brief autobiography, if I may.

My name is Beth Neely. I'm a senior in English here at UT, and am also employed in the Financial Aid Office. This is my third year receiving financial aid. I am 23 years old. I'm an independent student, and have been self-supported since the age of 18.

My freshman year in college I was considered a dependent student, and my tuition was paid for by Guaranteed Student Loan. During that time, I was forced to support myself and received no financial assistance from either parent. I worked for minimum wage at least 30 hours a week but was unable to keep up my studies due to the time factor involved as well as the cost of tuition.

I then decided to withdraw from school and work to support myself and hoped to save enough money in order to return to school. However, after 2 years of work, I found it impossible in today's economy to save enough money to pay for my own education.

I then applied for financial aid. In 1983, I was re-admitted to the university, and now receive Pell Grant, the Tennessee Student Assistance Corporation, Perkins Loan, College Work-Study Program and the Guaranteed Student Loan. If it weren't for financial aid, I could not be here.

At this time, however, I'm already facing $11,000 in debt for student loans. And should I decide to further my education by attending graduate school, I will be facing an additional $13,000, which would put me at $25,000 in debt. And that's what frightens me most.

Senator **Sasser**. Well, I gather, Beth, you would not be able to be here were it not for the financial aid programs?

Ms. **Neely**. Absolutely.

Senator **Sasser**. Let me ask this panel this question, do you agree with the proposition that college education benefits only the individual who receives it, or do you see a broader benefit to society as well? Does just the individual have a vested interest and a stake in getting a college education, or is there a broader public interest in seeing that people get a college education?

How would you respond to that question? Scott, what would you say about it?

COLLEGE EDUCATION BENEFITS INDIVIDUALS AND SOCIETY

Mr. MITCHELL. The State would have—the individual is, you know, it's obvious that the individual is not the only one that benefits. A college education can help all through the years.

It will be, it's like the tax money that goes to supply this, to help the financial aid program with a college education. It's like an investment in the future.

Anybody that does receive a college education will likely—I don't know what the statistics are, but they will be most likely to go on in the future to supply the tax money to help the people that aren't able to get a college education for whatever reason.

In other words, they're, they will become the people less likely to need financial aid in the future. And it's an investment is how, the only way I can say it.

Senator SASSER. All right. What would you say about that, Zena? Do you have any views on that?

Ms. THOMAS. You said earlier that other countries are graduating more engineers and that their technology is more advanced and have better quality cars and TVs.

If we don't graduate more engineers, then we won't be able to compete with the other countries. And without graduating and giving aid to students, we can't do that.

Senator SASSER. What do you say about that, Beth?

Ms. NEELY. I agree with both of them completely. I see that it's obvious that it benefits society as a whole. It is an investment in the future.

You have to realize that with college education you're, you know, you're increasing your opportunities to make more money, therefore, you can invest more money in the market. And, you know, that's a large contribution to economy.

So I can't see how anyone could say that only the individual benefits. There's just no way.

Senator SASSER. Now there are a lot of people, including Education Secretary Bennett, who would advance this proposal. Now I'm not just picking on Mr. Bennett. If he were here, he would certainly be able to defend himself. He's a very articulate individual.

But it was pointed out yesterday by a young woman, a journalist student at Memphis State that was receiving student aid, that Secretary Bennett should not be opposed to student aid, due to the fact that he received student aid to go to Harvard Law School.

So maybe she's planning on being an investigative journalist, to be able to dig those sorts of things out of his background.

But anyway, Secretary Bennett and others would say that the Federal Government shouldn't have a role in encouraging people to go to college, to get a higher education, and certainly should not be in the business of helping pay for it.

SHOULD THE GOVERNMENT PROVIDE EDUCATIONAL OPPORTUNITY

And I would ask you, how would you react? Do you think the Federal Government ought to have a role in affording educational opportunities to young people who qualify, or not? And that's the fundamental question, in my estimation.

Ms. **THOMAS**. Senator, I'd say definitely so. If the Government did not provide financial aid funds to students, the number of students able to go to college would definitely decrease by drastic numbers. We've already gone over that.

That would increase the number of poor in the country, and, hence, add to the load that the people not needing financial aid have to carry as far as tax support for the poor. So it's a continuing cycle.

If the financial aid funds aren't provided, less people will go to college. The income of the American population, on the average, will decrease more, and it will be more dependent later on other welfare programs. That's just, you know, there's no way that that mentality can come into effect.

Senator **SASSER**. What do you, the other two, say about that? Beth, do you think the Federal Government has a role to play in trying to defray or guarantee college expenses for individuals?

Ms. **NEELY**. Absolutely. As we have already pointed out, how can they expect us to compete in the world market without education? It's, I mean, it's impossible. Not only that, but I feel personally that everyone should have the opportunity to go to college if they want to get an education. Everyone should have that opportunity.

And what strikes me is the fact that the middle class seems to be who are hurt the most. The lower class are going to be able to receive the funds. The upper class obviously has the funds. But the middle class, the ones who need the funds the most, are not going to be able to get them.

It's just staggering to think about proposed cuts in financial aid. It's already difficult enough without making it that much harder.

Senator **SASSER**. Would you agree with these statements that have been made by your colleagues here, Zena?

Ms. **THOMAS**. I certainly would.

Senator **SASSER**. Sitting between them I wouldn't think you would want to disagree with them.

Anything else you would like to tell us today?

Ms. **NEELY**. I have one question that I'd like to ask.

INCOME CONTINGENT LOAN PROGRAM A RUSE

I have just recently found out about the Income Contingency Loan Program, and don't know a whole lot about it. But what I can't understand is, do they think that the American public is this ignorant that we're going to buy this proposal, that we really are going to fall for this?

I mean, I just can't see why people cannot see that the people who are making the least amount of money are going to be paying back the most. Can they not see how ridiculous that that is?

Senator **SASSER**. Well, you asked me a question. Ordinarily I ask the questions. But in this particular instance you're asking for my personal view I suppose. And my personal view is that the Income

Contingent Loan concept is simply a device or even a ruse, if you will, to back the Federal Ggovernment out of the financial aid business without really admitting it.

Because you come up with a proposal or a plan that is unacceptable, nobody will use it. But you can always say, well, we've got a loan program out here for the needy people who want to use it.

Let's make it so unattractive that nobody will use it. And I think that's what we're seeing here.

Well, thank you very much for appearing here this morning and giving us the benefit of your views. Your views are important because you have a vested interest in what occurs with regard to student aid this year and in the coming years. So I'm delighted that you could appear this morning and give us your views. Thank you.

Mr. **Mitchell**. Thank you, Senator.

Senator **Sasser**. Now, our third panel consists of two students from the University of Tennessee—Knoxville campus and one student who's traveled all the way from the University of Tennessee—Chattanooga campus there.

They are: Ms. Donna Gay Ashby, a graduate student from the Knoxville campus; Mr. Spruell Driver, a Roddy Scholarship recipient in Engineering from the Knoxville campus and Ms. Frankie Lee, a mother of four children, two of whom are college graduates and one who's currently a junior with a four point grade average.

So, would you three please come forward here and join us at the witness table?

All right. Would you identify yourself, please, for the record?

Mr. **Driver**. I'm Spruell Driver, a senior in Industrial Engineering at Nashville, Tennessee.

Ms. **Ashby**. I'm Donna Ashby. I'm a graduate student here at UT.

Ms. **Lee**. Senior and parent, Frankie Lee from Chattanooga, Tennessee.

Senator **Sasser**. Ms. Lee, we particularly appreciate you driving here this morning. And I understand that you've had a tragedy in your family, and we very much appreciate you coming all the way from Chattanooga to be with us here today.

Mr. Spruell, we'll begin with you. Do you have a statement you would like to make with regard to these proposed cuts?

STATEMENT OF SPRUELL DRIVER, RODDY SCHOLARSHIP RECIPIENT IN ENGINEERING, UNIVERSITY OF TENNESSEE—KNOXVILLE

Mr. **Driver**. Yes, sir. First of all, I'd like to thank you, Mr. Sasser, on behalf of myself and several other students like myself, for taking the initiative and giving us the opportunity express our opinions on the proposed budget cuts in Federal aid.

PERSONAL HISTORY OF FINANCIAL AID

First of all, I'd like to give you a little bit of my personal background to supplement the information I have about my financial assistance here.

I come from a one-parent home. My father passed away when I was 6 years of age.

As a senior in high school, I witnessed the phase out of the Social Security program benefits for college students. I just missed that. And therefore, upon graduation from high school, I didn't have a readily available financial base.

I was, by standardized test scores, I guess, a typical student. My ACT score in 1982 was 19, but I view myself as a highly motivated student and capable of completing a college education.

What brought me to the University of Tennessee was the Minority Engineering Scholarship Program. That program in itself has accounted for approximately 32 percent of my education as a undergraduate.

However, my ability to stay here at the University of Tennessee would not have been feasible had it not been for financial assistance and Cooperative Engineering Program which supplemented my income.

During 1 year this time, my mom was unemployed. That was between 1983 and 1984. And I was receiving Pell Grant assistance and the Tennessee Student Assistance package as well. And I've also received some Supplemental Educational Grant monies.

The financial aid that I have received from the University here at Tennessee has been approximately 26 percent of my education. I view that as a very big important 26 percent, that had it not been there, I would not have been able to continue.

The scholarships that the University has been able to afford to me have accounted for about 27 percent of my education, and I have paid about 15 percent of my education through co-op earnings in addition to that.

The conclusion is that I find that I've been able to finance my undergraduate education by 100 percent. But I do feel—I don't feel that I've received a free ride. I think I've pulled my own weight. Because all of the scholarship monies as well as financial aid were awarded to me contingent upon my academic performance.

Therefore, the financial aid and the scholarships were not only financial assistance packages, but they were also incentives for me to do well here at the University.

As I approach my graduation date, I am a senior in Industrial Engineering, my future aspirations are to go to law school. And I feel that a legal education, coupled with a technical degree, will enable me to make a very beneficial impact, or beneficial contribution to our society some day.

Indeed, I'm afraid that had I not been able to attend the University of Tennessee with the assistance of financial aid and the scholarship programs, I would not even be in a position to see these dreams and in a position to try to obtain them.

The last thing I'd like to point out is that I think as a fellow Tennessean you've probably witnessed the viability that our State has experienced for the past couple of years due to the Better Schools Program. This is a direct benefit based on our higher priority on education.

As a matter of fact, in 1985, President Reagan had the opportunity to come to the University, and he saw some of the benefits of the work that's been taking place between the University and the private sector.

What I would like to say is that I believe the scientists, the engineers and the educators who made that program a success are also, they were also recipients of some type of Federal assistance when they were undergraduate students.

So I do believe that the Federal Government's added support to the education will have long-range benefits for our society, for the U.S. economy and everything.

I think that if we were to turn around and detrimentally make these drastic cuts in financial aid, we would erase some of the benefits that we received from the 1965 Higher Education Act.

And with that, I would like to thank you again, and I appreciate your giving us the opportunity to present our views.

Senator **Sasser**. Thank you, Spruell.

Donna, do you have anything you would like to say this morning?

STATEMENT OF DONNA GAY ASHBY, GRADUATE STUDENT, UNIVERSITY OF TENNESSEE—KNOXVILLE

Ms. **Ashby**. Yes, I do. I would like to say that, like Spruell, I was also from a one-parent household. I lost my father to a house fire. That left my mother and my two, my sister and my brother to survive on an income which was $3,500.

With that, all four of us were able to go to college and get our Bachelor's degrees. My mother is a nurse. My brother is (unintelligible) and my sister is (unintelligible), and I have been teaching high school. All of us were able to do this because of financial aid. Without financial aid, none of us would have been able to go to school on our income.

As I said, I'm now a teacher. I have been teaching high school here in Tennessee for 4 years. And something you said earlier struck me. When you mentioned that a person in the field of teaching, if they obtained a loan, they would have difficulty paying it back. I was in that position.

I didn't have the money to go to college without taking out a loan. It took me about 3 years to pay it back. I did not decide to come back to school until I was able to pay off my loan, which was relatively small. I was teaching on a small income and did not have the money to pay it all back immediately.

I am now in school at the University of Tennessee working on my Master's degree. My point is, I came back to school with the confidence that by working hard enough that there would be money available where I could make it through.

I am now lucky enough to have a job in the Financial Aid Department and I have received a scholarship which pays my tuition and gives me a small salary. This is my sole income. And I feel like I'm very lucky to have it. Because if I did not have it, I would have to depend on loans and going into debt.

And I did not apply for any other type of financial aid because I feel so lucky to have this particular type of assistanceship, that I would not want to take money that other students would get. Because every day I see students whose total income is what they make from College Work Study Program and some type of financial aid.

And I feel like that those students are already in a bind. And I don't know what would happen without that financial aid. But that's why I feel very lucky to have the opportunity to receive financial assistance. Financial assistance has made the difference between me and my family.

Senator SASSER. Thank you very much. We'll hear now from Ms. Frankie Lee.

STATEMENT OF FRANKIE LEE, STUDENT AID MOTHER

Ms. LEE. I haven't thought of this meeting before today. But it's such an important meeting to me. Everyone has a speech prepared. But we had a death in my family, so I apologize.

Senator SASSER. That's all right. You just relate your experiences with financial aid and what it's meant to you and your children.

Ms. LEE. My problem is that I want to just complain from top to bottom.

Senator SASSER. All right.

Ms. LEE. I am a product of my society. I was raised by a typical mother, father, two children. Married. A husband, mother, father, two children. Everything was typical.

My age group was not raised to go to college. I did not get chemistry in high school. I did plan to go to college.

My parents told me that you work hard, you did a good job, you did your best, whatever. This is not the American dream any longer.

I rose to personnel manager in three different large companies, and I closed each of those companies in the 1970s when environmental control money didn't equate changes in the environment.

I saw men my age, in their 40s, change jobs for the first time in their life. Our society didn't expect to change jobs. They got a job when they were 18, they went to work and they became a good member of the Teamsters or whatever. Our society has changed. Education is necessary. There is no other way.

I raised four daughters. They were from 2 to 10 years old when their father left. I worked 60 hours a week for 10 years. There was no way I could support a college education.

But they made good grades in high school, they excelled. They put windows in, this type of thing. There was no way I could have come up—you can't make a loan. I had great credit. But you can't support that level when there gets to be a point.

Our society has changed. Mr. Bennett says that society will not benefit, that the family really should be responsible. There's no law that says the family is responsible.

What is an 18-year-old to do? They come into our office each day. They don't have an education, their parents are going into bankruptcy, they've had to quit school and——

Senator SASSER. Pull that mike up a little closer, Ms. Lee. You're competing with the construction outside.

Ms. LEE. I'm sorry.

Senator SASSER. You're doing fine.

Ms. LEE. I'm just concerned that—I have four daughters. My daughters have been highly successful. They are extremely motivated.

My father pointed out to me, when their father left, in black and white. He showed me that I could go on welfare and stay home and raise my children, live on the farm and so forth, not buy a car or anything because I was raised by those people that said to do it.

Well, we didn't take that avenue. And I'm so pleased that we didn't. My children, had they been raised in that road, would not be a doctor, would not be a stockbroker.

I'm so proud of my children. And I'm sure that they have more pride than I. I am sure they wouldn't appreciate me spreading to the world how we, how things, how rough things were for them. Because they're smiling citizens and everything now.

They would have been that way had they not had the education. It would have been that way had there not been an opportunity to borrow money. And I know I'm rambling.

But now, they are successful. Society will benefit. It is not for them. Their income will make their children financially happy, give them more. They can take them horseback riding this weekend, whatever.

But they're also President of the Jaycees. They're active in their church. They're called for every—my daughter's speaking at the university this year as a requirement.

There is no way I could have done it. I rose to personnel manager three times and I was there when we closed those plants.

I went back to the next company where I started as an assistant. But I didn't have the paperwork. I had to have the education. The "sheepskin" as one manager put it. I didn't get the job. It wasn't that I didn't have the ability or intelligence or couldn't perform the job. It was just simply it was a competitive market. And I was simply on the lower entry level.

So I have come back to school. I work full-time. I have a 3.8 average. And I want to go to school full-time. There is no way an 18-year-old can handle that pressure. I have given up opportunities—college cost is unreal. You have no friends. Everything is very shallow.

But the reason I find it a necessity, is I have been a desk clerk for the past 8 years. And I could have sat there and have been comfortable. It was a very easy life.

But now I'm handing my children a terrible responsibility. Since they were 2 years old—to repair everything in our house.

Now I'm going to say our Social Security program isn't coming forth. Our society changes jobs three times in their lifetime. I've had to retrain. I've changed jobs three times. And you can't start from that point. You always start one step under when you go back, unless you have the paper.

GOVERNMENT LOANS MAKE EDUCATION POSSIBLE

Senator **Sasser**. Let me ask you some questions, Ms. Lee. Would it have been possible for your children to go to college and get the education they got without financial aid?

Ms. **Lee**. I'm sorry to laugh at the question. I don't know. I was working full-time and part-time jobs for 10 years to support us. There was no way—you know, the Government gave $276 1 month and $313 1 month to my children a semester to go to school. But the kids are in debt up to their ears in Government loans. But there's no way I could have made those loans for them other than the Government grants.

Senator SASSER. Had it not been for the Guaranteed Student Loans they probably would not——

Ms. LEE. I could not have gone to a bank. My credit rating was above reproach. There was no problem with my credit. There was no problem with anything. I was considered the, I was the top of society as far as doing all you can do by work.

There is no way that we could have gone to—you can't walk in and get a loan at 18. A kid won't do that. As motivated as children are, they're still going through a developmental stage.

An 18-year-old is not going to behave like a 50-year-old woman. They're giving up everything and doing nothing. They have no experience. They'll stand crying because they don't know how to fill out the application. It's just too hard. I can't understand why anyone wouldn't want an education.

We have two systems. We had a phrase "Catch 22" years ago. And we will go back to that. Because the college (unintelligible).

They will—taxes have now become an astronomical burden. Society will benefit. I've watched grown men, I had from six hundred in one plant to two thousand people in the plant. Those men couldn't fill out an application. It's not that they didn't contribute to society. It's just that they didn't contribute—a woman couldn't contribute the same as a man. A man would have the advantage.

Senator SASSER. Let me stop you right there and pose a few questions to the other witnesses gathered here.

Spruell, you said you were the first generation in your family to get a college education?

Mr. DRIVER. Yes, sir.

Senator SASSER. How about you, Donna?

Ms. ASHBY. Yes; my sister and my brother and myself were the first college educated.

Senator SASSER. Would it have been possible for you to get this college education without financial aid?

Mr. DRIVER. No, it certainly would not. As I said, we were a family of four. And our income, annual income, was $3,500. So we definitely could not have.

WORK-STUDY PROGRAM DICTATES EDUCATION FUTURE

Senator SASSER. Now, the other day Secretary of Education, Bennett, made the statement when he was before the Senate Budget Committee, to the effect that, with regard to the College Work Study Program, he said, "Well, what difference does $500 or $600 a year make in the overall cost of trying to get a college education? What if the student got out and got the money somewhere else?"

Now my question to you is, does $500 or $600 mean the difference between staying in school or leaving? What's your experience in that regard? You've had experience. Tell us what you think about that.

Mr. DRIVER. Well, I am participating in the College Work-Study Program, but I can say that $500 or $600 would make a difference in being able to stay or leave.

If you don't have that money, then you really have no other option than to withdraw and try to find a job somewhere else and save enough money to come back.

But I have found with my relationship with other students, the students who do that, go out of school to take full-time employment outside the university setting, find it particularly hard or more difficult to come back. Once you get out of the setting, it's hard to come back.

I think the program provides a lot of services here on campus that would not otherwise be available through our offices, such as financial aid. The University's buildings would not be able to be operated in the fashion that they are without the student assistance in those positions.

Senator **SASSER**. Donna, do you agree that $500 or $600 can make a difference between staying and going?

Ms. **ASHBY**. Yes; it would. When I was in college, I worked for three quarters and I paid my tuition with that. So that involved an entire year of education that I wouldn't have gotten without that amount of money.

So that tuition was reasonable. And that was, as I said, that represented an entire year of study. Today, that would represent an entire quarter plus books. And that would give a person an entire quarter and not having to go without books and falling behind. So it makes a difference.

Senator **SASSER**. Well, you all have answered a number of my questions with your opening statements here. And I know you'll agree that a college education benefits more than just the individual. It benefits the society as a whole.

Ms. Lee, we're going to let you have the last word.

Ms. **LEE**. I'm sorry. I just feel that it's important. The reason I would advocate the College Work Program is not the $300 or $500 or $600. College is very hard. It's changed. I'm not certain why we call it "higher education." Society has changed from requiring a sixth grade education to a twelfth grade education.

But the College Work Program offers more than financial assistance. It gives you the opportunity to go to school and not have to change jobs. I worked 2½ years to go to college. I worked full-time, part-time jobs. I did not have financial aid. It was very hard.

What I ran into was in the last year, you have prerequisites. You can't—my past employer said, why, (unintelligible).

The College Work Program offers you an opportunity to walk in and out. You get your schedule. You take things as they come, to meet the responsibility of each semester without changing jobs or changing your responsibility. You don't have a total shift to learn a new job. It is impossible to be able to do that.

Senator **SASSER**. That's a point well-made. The College Work-Study Program gives you not only the financial reward, but it also gives you the flexibility to vary your work with your academic schedule and allows you to be more or less in an academic environment where people are sympathetic to your academic needs and not just to the work needs.

Ms. **LEE**. That's the reason for the camaraderie in school. You feel like you're against the world. You don't find that in the business world. In the business world, you're competing all day. And you're tested and tested. And you feel like, gosh, am I going to make it? It's extremely difficult.

And you can't—you function better when everyone is saying, "Oh, come on, you can do it." It generates energy.

You are placed in the business world and you learn to function and you learn responsibility. You mature. And you are pressured to a point that an 18-year-old couldn't handle. It's just overpowering.

Senator SASSER. Well, thank you. Donna, would you like to add something?

EDUCATION CUTS STIFLE ECONOMY AND SOCIETY

Ms. ASHBY. Yes; I have a supporting point that I'd like to make. I think this is what frightens me most about the cut in the budget for financial aid. And that point is, our country was built on the ability for the lower and middle income people to rise above their means and become people of importance and people who have influence.

What this will do, I fear, is this will lessen the ability to have those lower and middle income people to be able to contribute to society. These people will be stifled as the result of our economy. Our society will lose the services of these people who will not have the means of education. The lower and middle income people will not have the means to go to school and to contribute. That's what frightens me the most.

I think that the people who are in college need to realize that if they take away the Federal aid services, it is definitely going to stifle the economy and stifle society.

Senator SASSER. Well, I think that's a point well-made. There are a lot of apprehensions now about the evaporation of the middle class in this country, and there are concerns that we are moving in the direction of an upper class and a lower class, with the middle class declining in numbers and in influence. I think that cuts to student aid will certainly accelerate the process.

I want to thank all of you for coming to this hearing this morning. I've been impressed with the caliber of the students that we've heard from today. And I think if these students are representative of the college age population today, then I think there's great optimism about the future of this country.

If anyone would like to submit additional information or testimony for the record, we are going to hold it open until March 11th. That's one month from today. And you can have your statement included in the hearing record by submitting it to our Knoxville office here in the old post office building in room 320.

Before adjourning this hearing, I would like to recognize and acknowledge the presence of Dr. Robert Shephard, the President of Knoxville College, who was here a moment ago. We appreciate him coming by and sharing an interest in these hearings.

Thank you very much. I officially declare these proceedings closed.

[Whereupon, the subcommittee adjourned subject to the call of the Chair.]

THE IMPACT OF THE PRESIDENT'S FISCAL YEAR 1988 HIGHER EDUCATION PROPOSALS ON THE STATE OF TENNESSEE

WEDNESDAY, FEBRUARY 11, 1987

U.S. SENATE,
COMMITTEE ON THE BUDGET,
Nashville, TN.

The committee met pursuant to notice at 2:30 p.m., in the Avon North Williams, Jr. Campus Building, room 353, Tennessee State University, Nashville, TN., Hon. Jim Sasser, presiding.

Present: Senator Sasser.

Staff present: Lance Simmens, senior economic counsel to Senator Sasser.

OPENING STATEMENT OF SENATOR SASSER

Senator SASSER. Let me bring these hearings to order. First, I would like to welcome all of you here today. This is one in a series of hearings that I have been conducting across the State of Tennessee to determine the impact of the administration's fiscal year 1988 budget proposals on higher education and on vocational education.

These hearings are held under the auspices of the Senate Budget Committee, on which I serve, and I'm accompanied today by Mr. Lance Simmens, a professional staff member of the Senate Budget Committee.

EDUCATION MUST PLAY CRUCIAL ROLE

I would say at the outset that if this Nation is to regain a competitive edge in an increasingly competitive world market place, education must play a crucial and critical role. Yet there are some who seem intent on making students and those who seek education in institutions of higher learning foot soliders in the battle of the budget. Although education expense represents only 2 percent of the Federal budget, it has been asked to take 20 percent of the overall budget cuts.

Now, I think that is really a disastrous situation for the country. If we are going to become competitive again in the world economy, if we are going to continue to be a great power, then I think we have a vested interest in educating our young people.

Under the administration's budget proposals, funding for programs such as the College Work-Study Program would be totally eliminated, completely wiped out. This would eliminate jobs for about 787,000 financially needy students all across this country. Also under the administration's proposal, funding for Supplemental Educational Opportunity Grants would be completely eliminated, and this would eliminate 720,000 financially needy students from this program.

Under another administration proposal, funding for the State Student Incentive Grant Program would be completely eliminated, eliminating 276,000 students who presently participate in this program. Under the administration's budget proposals, reduced funding and structural changes in the Pell Grant Program, which is the backbone of all the student aid programs in this country, would affect at least 222,000 students nationwide. Almost a quarter of a million students would be adversely affected by changes in this program alone.

And next probably in importance is the Guaranteed Student Loan Program. This program is particularly helpful to middle class students and middle class families. Without the Guaranteed Student Loans, many students in middle class families simply could not go to college. Changes and restructuring of the Guaranteed Student Loan Program would result in over 200,000 fewer students being able to participate in that program next year.

BUDGET PROPOSALS WOULD MAKE EDUCATION MORE EXPENSIVE

In sum, what we are seeing are budget proposals dealing with education whose major effect and impact would be to make college education much more expensive. And in many cases it's going to mean the difference between a student attending college or not attending college.

We have some charts which I think illustrate precisely what I'm talking about. The first chart [1] shows expenses for a family of four with college-age children. Now this upper middle class family has an income of $36,302. With one child in college after all of the necessities of life are paid for, taxes, housing, shelter, food, et cetera, and education for the one child in college, what they have left over is less than 2 percent of their overall income which amounts to $726 left for savings and for emergencies. Clearly, most families in this country and certainly most families in the State of Tennessee fall far below an income of $36,000. So you can see that even a family with an income of $36,000, if they seek to put a second child in college, simply could not afford to do so without student aid programs.

The second chart [2] illustrates what we are talking about by way of budget cuts. In the 1987 appropriation for the Department of Education, $9.2 billion were spent on programs that could be characterized as enhancing the competitive position of the United States. For example, these programs include student aid programs, vocational education and grants for mathematics and science, all designed to encourage youngsters to get into the critical mathematic and science programs.

Under the cuts that are being proposed, we see the $9.2 billion devoted to economic competitiveness reduced to $4.5 billion. This includes a $3.7 billion cut in student aid, almost a $1 billion cut in vocational education and a $100 million cut in math and science grants, for total cuts of $4.7 billion, or a 51-percent reduction in 1 year in dollars that go for education to make our students more competitive. And these dollars are not corrected for inflation. These are nominal dollars. It's ironic that we are proposing to reduce incentives for math and science grants at a time when the United States, a country twice the size of the country of Japan, is presently graduating fewer engineers.

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[1] See p. 3.
[2] See p. 4.

MISGUIDED POLICY DECISIONS

So this gives one, I think, some idea of what we are up against. Now I think the underlying assumptions governing these policy decisions are misguided. For example, the Secretary of Education, Mr. William Bennett, appeared before the Senate Budget Committee just the other week and indicated that education only benefits the individual, so why shouldn't that individual have to pay for his or her education.

Well, frankly, I reject that assumption because I think education benefits not only the individual, it benefits our society and our economy. If we are going to have a competitive economy, if our industries are going to be competitive, we have got to have educated people to run them. If we are going to have a stable democracy, then we are going to have to have educated people to make the proper policy choices for this country. So the point is that education dollars benefit society at large and not just the individual students.

INCOME CONTINGENT LOAN CONCEPT

The administration is also proposing the expansion of a program called the Income Contingent Loan concept. Now this sounds good initially, but when looked at carefully it loses its initial luster. According to the National Association of Student Financial Aid Administrators, under the program that the administration is advocating, if a student graduated from college and earned $12,000 in their first job, if they had borrowed $15,000 over the period of their 4 years in college, if they started at a salary level of $12,000—and that occurs with many in the teaching profession, for example—the student would end up paying back $100,000 over the period of 25 years. In the 24th year, the monthly payment would be $718. So clearly this is not a viable alternative for those who would be in lower income occupations.

What about a student that has a salary of $22,000? Well, they could repay the loan in 11 years, and the total repayment would be slightly over $44,000. So you see how regressive this approach is. The student getting a lower pay would be paying longer and paying more money, while the student who had a higher income would be paying less money over a shorter period of time. So it's a regressive way, I think, of trying to finance college educations, and I know of few students who would be willing to sign up for what would be comparable to a home mortgage in order to get a college education.

VOCATIONAL EDUCATION WOULD TAKE BIG CUT

Well, finally, what happens to vocational education under these proposals? Well, everybody in our society cannot go to college and some should not go to college. We have a need in this country for carpenters, for plumbers, for bricklayers. Those are honorable and needed professions. And many of these skills are learned in vocational education schools. Well, we find that under the proposed cuts for vocational education that we would lose approximately 25 percent of our students in the rural counties of Tennessee who attend postsecondary vocational schools. One-quarter of the students in rural counties in Tennessee would be ineligible for student aid for postsecondary vocational education under the proposals that are being advanced by the administration.

Well, those are the preliminary statements that I wish to make, and I think we can get underway now. Our first panel consists of Mr. Ron Gambill, who is the executive director of the Tennessee Student Assistance Corporation. Mr. Gambill has served in that position since 1985. He received a bachelor's degree from David Lipscomb College, and a master's degree from Middle Tennessee State University and both in biology. From 1973 to 1985 he was head of the financial aid department at Nashville State Tech Institute. Joining Mr. Gambill is a distinguished educator in this State, Dr. Arliss Roaden, who is the executive director of the Tennessee Higher Education Commission and who for years served in an exemplary fashion as the president of Tennessee Tech University.

Dr. Roaden is a native of Corbin, Kentucky, a graduate of Cumberland College, Carson-Newman College and the University of Tennessee. In his capacity as executive director, Dr. Roaden serves in an ex officio capacity on the State Board of Regents of the State university and the community college system. Gentlemen, would you come forward and take your seats here, and let us hear from you today.

Dr. Roaden, I want to welcome you and Mr. Gambill today. I want to welcome you here today and say that we look forward to your testimony. We are collecting testimony here today that will be presented to the Budget Committee when we begin deliberating on these budget proposals, and your statements will be examined by the staff of the Budget Committee and by at least some of the Senators.

So why don't we go first with you, Dr. Roaden, if that's all right and then with Mr. Gambill.

STATEMENT OF DR. ARLISS ROADEN, EXECUTIVE DIRECTOR, TENNESSEE HIGHER EDUCATION COMMISSION

Dr. **Roaden**. Senator Sasser, may I say that we are thrilled to have a distinguished senior Senator from Tennessee back home and especially to have you here in Nashville. I appreciate the opportunity of commenting on the proposed rescissions and reductions and in some cases elimination of programs and activities that were contained in the administration's proposed 1988 budget.

May I say that higher education in this country is a big enterprise, well, over $100 billion. Something on the order of 3 percent of our gross national product. And we enroll over 12 million students in higher education across the country and millions more are served through our public service and continuing education programs. And we are unique in this country, I think unique in the industrialized world, in that we believe that higher education opportunities ought to be available to every person who has the intellectual aptitude and the interest in pursuing higher education within our colleges or universities or in our post-secondary vocational schools. Other countries don't hold that value, but we do, and I hope that we can retain it over the years.

HIGHER EDUCATION BENEFIT TO ALL OF SOCIETY

You mentioned in your opening remarks that there seems to be an assumption that higher education is for the benefit only of the individual who goes to college or university. Of course, it's a very important benefit to that person, and that person certainly shares in the cost of higher education. But the bigger benefit, the more important and the longer range benefit, comes to all of society which will help us to be a more competitive, more productive and I think more exciting society.

In Tennessee we have recognized the importance of higher education by establishing a network of universities, community colleges, technical institutes and area vocational schools. There are 28 of those. And these institutions constitute a network across the State that provide an access and opportunities for access to every community in Tennessee. And we have made in the State major investments in our higher education enterprise. These institutions operate, of course, through the support of the State and also by student fees, by grants and contracts and gifts and by assistance from the Federal Government, which for the most part has been in the area of student support.

In recent weeks when we have read about and heard about proposals by the administration to make major reductions for all of higher education, which would be a cut of about $5.5 billion from the budget under which we are currently operating, we have been very concerned. We appreciate your concern because these cuts would deny thousands of young men and women the American dream of going to college. And the country would suffer a decline in our economic competitiveness by our failing to develop our greatest resource, our human capital.

Well, as you noted, funding for Federal student aid programs would be cut almost half. The President's budget cuts student assistance making college virtually impossible for some 3 million young Americans who want to pursue their education. And may I say, speaking as a person in the State responsible for policy making and coordination of higher education, there is no way that the States could come close to replacing these funds were they to be removed from the Federal budget. The total national expenditures for student assistance, about three-fourths of the total comes from the Federal Government.

PROGRAMS FOR DISADVANTAGED WOULD BE CUT IN HALF

Also the 1988 proposed budget would virtually eliminate programs that we call the Trio programs for disadvantaged such as upward bound, talent search, student support services, educational opportunity centers, these for disadvantaged students which provide—have in the past provided encouragement and support. These programs are scheduled to be cut by more than 53 percent. These cuts will have a devastating impact on students who are the first generation of their families to consider post-secondary education, and those who are members of minority groups.

We still have in Tennessee, and it's very exciting to observe in our colleges and universities, students who are the first from their families to attend a college or a university. And we would be shortsighted if we failed to remove every obstacle which would insure that these citizens are well educated and productive. And I would note relative to the minorities in our society that demographic projections are such that the year 2000 they will constitute one-third of our population. Certainly to our advantage to be sure that they're provided opportunities to be productive citizens.

ECONOMIC COMPETITIVENESS

We noted recently that the U.S. Chamber of Commerce pronounced that if America's standard of living is to be preserved, then we must focus our attention on the need to become more competitive. Much is said about competitiveness. President Reagan in his state of the Union address a couple of weeks ago emphasized the role of education in promoting economic competitiveness. There's a great gap between those words and the realities of the proposed Federal budget for higher education.

The fundamental element in competitiveness is education by training and retraining the American work force so that our citizens have intellectual tools for competing in a highly technical society. And historically the higher education community has encouraged national policies that recognize and enhance higher education's contributions to society. And colleges and universities have turned to the Federal Government for this kind of support.

COMPETENCY TESTS NEED GREATER ATTENTION

The Secretary of Education, William J. Bennett, recently commented that what is needed is not more Federal dollars, but what is needed is greater attention to competency tests for teachers and greater accountability measures for schools and colleges. I would like to note for the record that many of us already are working hard with the question of accountability and questions of competency. Just this week, tomorrow and Friday we are hosting here in Nashville two national conferences of distinguished educators and others from around the country addressing the question of accountability and assessment and ways to improve the accreditation processes in higher education.

Also was very pleased to note in the January 18, Sunday edition of the New York Times an article about what colleges and universities are doing in the areas of competitiveness and accountability. Let me just quote one line out of there. It says: since 1980 the Tennessee Higher Education Commission has evaluated all State-supported institutions on factors such as obtaining employment of students, their performance on academic tests, the school's plans for improving instruction, as well as subjective judgments of students, alumni, employers about how well their education served them when they were in school. And under a point system the State of Tennessee has already appropriated more than $50 million in this program that we call performance funding, taking into account the college and universities that are doing a commendable job.

So the words of the Secretary that we need to concentrate in the area of accountability I think are a little late relative to what is going on and certainly miss the point about what is needed to provide opportunities for our young folk to get a college education.

Well, Senator Sasser, I will thank you for providing us in Tennessee with the opportunity for personally expressing our gratitude to you for your very firm support of educational opportunities of all our citizens and giving us the opportunity to express our own concerns about the rescissions, the reductions and eliminations that are proposed in the national budget.

These are programs that are viable to our economy and are vital for international competitiveness and international relations. And you would expect me as an educator I'm sure to say those kinds of things, but you're familiar, as are other members of the Congress, with a recent public opinion study that was sponsored by the counsel for the Advancement and Support of Education for this country which reported that more than half, 54 percent to be exact, of all adult Americans believe that Federal aid for low and middle income students is important. So my words are not just those representing the higher education community, but I believe are the words which you would find from people on the street and people in the supermarkets and people in factories. Thank you.

Senator **Sasser**. Well, thank you very much, and I would like to ask you a couple of questions in just a moment, Doctor Roaden. We'll turn to Mr. Gambill first. Ron.

STATEMENT OF RON GAMBILL, EXECUTIVE DIRECTOR, TENNESSEE STUDENT ASSISTANCE CORP.

Mr. **Gambill**. Thank you, Senator Sasser, for the opportunity to comment on the implications of these proposed budget cuts for fiscal year 1988 as it relates to student financial assistance in Tennessee.

As executive director of the Tennessee Student Assistance Corporation, I have a great concern about a number of the budget proposals which have far reaching effects on the opportunities for post-secondary education for needy, low and middle income students in Tennessee. Many current and future students will be discouraged from post-secondary education, if not eliminated all together, due to the nature of the programs being cut and their replacement by the Income Contingent Loan Program.

ELIMINATION OF CAMPUS BASE PROGRAMS

First let me address the proposed elimination of the campus base programs, College Work-Study, Supplemental Educational Opportunity Grant, Perkins Loan, National Direct Student Loan and as they currently exist. This academic year an estimated 12,500 Tennessee students will receive through earnings in the College Work-study Program over $9 million. Students have the opportunity to secure work experience in their fields of study while they help pay for their educational expenses.

As a director of financial aid for 12 years, I observed the students on the College Work-Study Program consistently had the highest—second highest grade point averages each year of all students on programs administered by the student financial aid department. It does not make sense to eliminate this program of self-help that has so many positive benefits.

Elimination of the funding for the Supplemental Educational Opportunity Grant will affect over 8,000 Tennessee students who have proven financial need for the grant funds.

Senator SASSER. You say 8,000?

Mr. GAMBILL. Eight thousand. Those students would lose approximately $5 million in needed assistance. The Supplemental Educational Opportunity Grant Program helps to maintain a proper balance of grant assistant in a student's financial aid award package. SEOG helps keep needy students from being saddled with excessive loan debts.

For the current 1986–1987 academic year over 10,000 students will receive need-based loans through the Perkins National Direct Student Loan Program to help pay for their educational expenses. The proposed change of the Perkins Loan Program to be part of the Income Contingent Loan Program will have a detrimental effect on students.

The Perkins Loan Program was established in 1958 and has been an effective program for providing low interest loans to needy students. The dramatic change of interest benefits, greatly increased interest rates from the current 5 percent and the astounding pay back amounts in the Income Contingent Loan Program will negatively effect, if not totally eliminate, the needy students this program currently serves.

STATE STUDENT INCENTIVE GRANT PROGRAM

Second proposal I would like to address is the elimination of the funding for the State Student Incentive Grant Program. Tennessee students will receive $1.1 million in Federal funds through this program this current academic year. With the matching provided by the State legislature, the program this year will serve over 19,000 Tennesseans attending post-secondary education. Eligible students must qualify on the same basis of high need as the Federal Pell Grant Program. This program also helps maintain that proper balance of gift and self-help assistance.

GUARANTEE STUDENT LOAN PROGRAM

Third area of budget proposal concerns is relative to the Guaranteed Student Loan Program. The Tennessee Student Assistance Corporation guaranteed over $85 million in the past academic year for over 35,000 student parent borrowers. This program covers a broad spectrum of post-secondary students, from those attending 6-month vocational programs to those attending graduate and professional schools.

Since the Higher Education Amendments of 1986, all students must demonstrate financial need for the loan to qualify for the interest subsidy. Students must pay a 5-percent origination fee to offset part of the Federal Government's special allowance payments to the lenders. The loan capital is supplied by banks and other lenders for students and parents to help meet educational expenses. The budget proposals for this program would discourage and eliminate lenders from the program. The current special allowance payments of 3.25 percent would be dropped to 2.75 percent. Lenders would only be eligible to receive insurance on 90 percent of the principal and interest instead of the current 100 percent. Lenders would elect to place their capital elsewhere or limit access by putting credit checks on borrowers and only serve those with strong banking history. Low income students would greatly suffer from a lack of lender access.

The cost to the student borrower would also greatly increase. No interest subsidy would be paid on the loans. The borrower would either have to pay the interest while in school and have the cost—or have the cost added to the loan to cover the interest. The 5-percent loan origination fee would be eliminated. A 9-percent guaranteed fee would be charged instead. Beginning with the third year of repayment, the borrower's interest rate would be set by the lender up to the annual average 91-day Treasury bill plus 2.75 percent, whether that be fixed or variable. All of these changes would substantially increase the overall cost of each year's loan to the students and greatly increase their pay back amounts.

The current need analysis requirements are already so strict through the re-authorization amendments that a self-supporting student with a child and making an income of $12,000 a year cannot qualify for a Guaranteed Student Loan to go to State college. The current restrictions are tight enough without adding those proposed in the budget document. How do students better themselves if they cannot even have the opportunity for reasonable borrowing to get an education.

INCOME CONTINGENT LOAN PROGRAM

The proposed alternative in the student document is the Income Contingent Loan Program. It would take the place of College Work-Study, Supplemental Educational Opportunity Grant, the Perkins Direct Loan, the State Student Incentive Grant, Federal Contribution and reasonable credit qualities of the Guaranteed Student Loan Program. Although the philosophy of the program sounds good, the reality of the cost to the students will promote a terrible level of indebtedness that may see the borrower still trying to pay off their educational loans when their children are ready for higher education.

Three major weaknesses that immediately surface are, one, the paying of interest on interest to the point that it's literally years before any amount is paid on the principal balance of the loan. Two, the program is totally sensitive to Treasury bill rates which have had much fluctuation over the past several years. And, three, the unreasonable pay back amounts based on loan balance and income.

The following example shows the difference in debt level and repayment amounts between the Income Contingent Loan Program and a combination of the Perkins Loan and the Guaranteed Student Loan as the programs currently exist.

Making an assumption of a $15,000 educational loan, a Treasury bill rate of 5.5 percent and a beginning income of $18,800, which incidentally is actually higher than the base pay for teachers in Tennessee, the borrower would enter repayment owing $15,000 for the combination of the Perkins and the Guaranteed Student Loan. While under the Income Contingent Loan, the beginning balance would be $21,353. Assuming the student will have a 7 percent increase in income each year, the monthly pay back of the Perkins GSL would be $126.26 for 10 years. Under the Income Contingent Loan the payments would be $56.48 the first year, $68.35 the second year and then $269.05 the third year of repayment. By the ninth year the payment has increased to $403.77 per month. The last year which would be the 11th year the student will be paying $462.22 per month.

The total payments for the Perkins loan would be $20,191. The total payments for the Income Contingent Loan would be $35,651. Over $15,000 more would have been paid by the student, and many of those payments would look like payments on a home mortgage. This example was based on a Treasury bill of 5.5 percent. But when a T-bill rate goes higher, the student's payments increase in the number of years of repaying and the monthly amount escalates.

In the same example a 7 percent T-bill rate would require payments for 12 years with the 12th year monthly payment reaching $494.64. The student would pay a total of $41,255 for the $15,000 educational loan.

Does this seem like a reasonable alternative to the Perkins loan or the Guaranteed Student Loan Programs as they now exist. Will students truly have access to higher education if the Income Contingent Loan is the only choice. After the second year of repayment in the Income Contingent Loan Program, the dramatic increase in monthly payments will probably cause many default problems or force bankruptcies which cost a lot more in the future to the Government than providing some subsidies on the front as Perkins Loan and Guaranteed Student Loans do now.

GOAL OF STUDENT FINANCIAL AID PROGRAM

The goal of student financial aid programs is to provide access to higher education for low and middle income students. The benefit is not the students' alone, but an educated citizenry is our best defensive program, our best economic program and promotes a healthy country. Our investment is returned as our educated population stimulates growth in our economy through technological advances keeping us competitive on the world market.

Students need the balance of loans, works and grants as available means of financing the cost of education. Middle income students have already been seriously hurt by the need analysis requirements on the Guaranteed Student Loans. They need an opportunity for reasonable credit through the Guaranteed Student Loan Program.

In Tennessee 96 percent of our students are paying back their Guaranteed Student Loans. It does not make sense to burden students with heavy educational debts and destroy the program balance that we currently have. Thank you.

LOAN DEFAULT RATE UNDER 4 PERCENT

Senator SASSER. Thank you, Mr. Gambill. Your testimony has been so exhaustive and conclusive that I think you have answered about every question that I had in mind to ask you.

Your prepared statement will appear in full in the printed record.

PREPARED STATEMENT OF RON GAMBILL, EXECUTIVE DIRECTOR, TENNESSEE STUDENT ASSISTANCE CORPORATION

Thank you for the opportunity to comment on the implications of the proposed Budget of the United States Government for Fiscal Year 1988 as it relates to student financial assistance in Tennessee.
As Executive Director of the Tennessee Student Assistance Corporation, I have a great concern about a number of the budget proposals which have far-reaching effects on opportunities for postsecondary education for needy, low and middle income students.

The Tennessee Student Assistance Corporation is a comprehensive state agency that guarantees loans, administers the State Student Incentive Grant Program, and State Scholarship and Loan Programs, to assist and encourage access and choice for postsecondary education in Tennessee.

Many current and future students will be discouraged from postsecondary education, if not eliminated, due to the nature of the programs being cut and their replacement by the Income Contingent Loan Program. First, let me address the proposed elimination of the campus-based programs: College Work-Study, Supplemental Educational Opportunity Grants, and the Perkins/National Direct Student Loans as they currently exist.

This academic year an estimated 12,500 Tennessee students will work and earn over $9 million through the College Work-Study Program. The money from the program is a combination of federal and institutional dollars. Students have the opportunity to secure work experience in their fields of study while they help pay for their educational costs. As a director of financial aid at Nashville State Technical Institute for almost 12 years, I observed that students on the College Work-Study Program consistently had the second highest grade point averages each year of all students on the programs administered by the student financial aid department. Only students on academic based scholarships achieved higher cumulative averages. It does not make sense to eliminate this program of self-help that has so many benefits.

Elimination of the funding for the Supplemental Educational Opportunity Grant will affect over 8,000 Tennessee students who have proven financial need for the grant funds. Those students would lose approximately $5 million in needed assistance. The Supplemental Educational Opportunity Grant (SEOG) Program helps to maintain a proper balance of grant assistance in a student's financial aid award package. SEOG helps keep needy students from being saddled with excessive loan debts.

For the current 1986-87 academic year, over 10,000 Tennessee students will receive need-based loans through the Perkins/National Direct Student Loan (NDSL) Program to help pay for their educational expenses. The proposed change of the Perkins Loan Program to be part of the Income Contingent Loan Program will have a detrimental effect on students. The Perkins/NDSL Program was established in 1958 and has been an effective program for providing low-interest loans to needy students. The dramatic change of interest benefits, greatly increased interest rates from the current 5%, and the astounding payback amounts in the Income Contingent Loan Program will negatively affect, if not totally eliminate, the needy students this program currently serves.

The second proposal I would like to address is the elimination of the funding for the State Student Incentive Grant Program. Tennessee students will receive $1.176 million in federal funds through this program in the current academic year. With the matching funds provided by the Tennessee Legislature, the program will assist over 19,000 Tennesseans in attending postsecondary education. Eligible students must qualify on the basis of high need as in the federal Pell Grant Program. This program also helps to maintain a proper balance of gift and self-help assistance.

The third area of budget proposal concerns is relative to the Guaranteed Student Loan Program. The Tennessee Student Assistance Corporation guaranteed over $85 million in the past academic year for over 35,000 student and parent borrowers. This program covers a broad spectrum of postsecondary students, from those attending six-month vocational education courses to those attending graduate and professional schools. Since the Higher Education Amendments of 1986, all students must demonstrate financial need for the loan to qualify for the interest subsidy. Students must pay a 5% origination fee to offset part of the federal government's special allowance payments to lenders. The loan capital is supplied by banks and other lenders for students and parents to help meet educational expenses.

The budget proposals for the Guaranteed Student Loan Program would discourage and eliminate lenders from the program. The current special allowance payments of 3.25% would be dropped to 2.75% and that would be payable only through the first two years of repayment. Lenders would only be eligible to receive insurance on 90% of the principal and interest instead of the current 100%. With the additional budget proposals, lenders would elect to place their capital elsewhere or limit access by putting credit checks on borrowers and only serve those with a strong banking history. Low-income students would greatly suffer from a lack of lender access.

The costs to the student borrower would also greatly increase. No interest subsidy would be paid on the loans; the borrower would either have to pay the interest while in school or have the costs added to the loan to cover the interest. The 5% loan origination fee would be eliminated. A 9% guarantee fee would be charged instead. Beginning with the third year of repayment, the borrower's interest rate would be set by the lender up to the annual average 91-day Treasury bill plus 2.75%, either fixed or variable. All of these changes would substantially increase the overall cost of each year's loan to students and greatly increase their payback amount.

The current need requirements are already so strict through the Reauthorization amendments that a self-supporting student with a child and making an income of $12,000 per year cannot qualify for a guaranteed student loan to attend a state college. The current restrictions are tight enough without adding those proposed in the budget document. How do students better themselves if they cannot even have the opportunity for reasonable borrowing to get an education?

The proposed alternative in the budget document is the Income Contingent Loan Program. It would take the place of College Work-Study, the Supplemental Educational Opportunity Grant, the Perkins Direct Loan, the State Student Incentive Grant federal contribution, and the reasonable credit qualities of the Guaranteed Student Loan Program. Although the philosophy of the program sounds good, the reality of the costs to students will promote a terrible level of indebtedness that may see the borrowers still trying to pay off their educational loans when their children are ready for higher education. Three major weaknesses that immediately surface are: (1) the paying of interest on interest to the point that it is literally years before any amount is paid on the principal balance of the loan; (2) the program is totally sensitive to Treasury bill rates which have had much fluctuation over the past several years; (3) unreasonable payback amounts based on loan balance and income. The following example shows the difference in the debt level and repayment amounts between the Income Contingent Loan and a combination of the Perkins Loan and Guaranteed Student Loan as the programs currently exist. Making an assumption of a $15,000 educational loan, a Treasury bill rate of 5.50% and a beginning income of $18,800, the borrower would enter repayment owing $15,000 for a combination of Perkins Loan ($9,000) and Guaranteed Student Loan ($6,000), while under the Income Contingent Loan, the beginning balance would be $21,353. Assume the student will have a 7% increase in income each year. The monthly payment for the Perkins/GSL would be $168.26 for 10 years. Under the Income Contingent Loan, the payments would be $56.48 the first year, $68.35 the second year, and $269.05 the third year of repayment. By the ninth year, the payment has increased to $403.77 per month. The last year, which would be the eleventh year, the student is paying $462.20 per month. The total payments for the Perkins/GSL would be $20,191 but for the Income Contingent Loan, it would climb to $35,651. Over $15,000 more would have been paid by the student and many of those payments would look like payments on a home mortgage. This example was based on a Treasury bill rate of 5.5%, but when T-bill rates go higher, the student's payments increase in the number of years for repaying and the monthly amount escalates. In the same example, a 7% T-bill rate would require payments for 12 years, with the twelfth-year monthly payment reaching $494.64. The student would pay a total of $41,255 for the $15,000 educational loan. For the last 12 years, T-bills have averaged around 9%. If the example is changed to a T-bill rate of 9% and the borrower's starting income is lowered to $12,000, it will take the borrower 24 years to pay off the Income Contingent Loan with payments of $711 in the twenty-fourth year. The total payments would be $99,993.

Does this seem like a reasonable alternative to the Perkins Loan or Guaranteed Student Loan as they now exist? Will students truly have access to higher education if ICL is the only choice? After the second year of repayment in the Income Contingent Loan Program, the dramatic increase in monthly payments will probably cause many default problems or force bankruptcies, which cost a lot more in the future to the government than providing some subsidies on the front as Perkins Loans and Guaranteed Student Loans do now.

The goal of student financial aid programs is to provide access to higher education for low and middle income students. The benefit is not the student's alone, but an educated citizenry is our best defensive program and our best economic program and promotes a healthy country. Our investment is returned as our educated population stimulates growth in our economy through technological advances, keeping us competitive on the world market.

Students need the balance of loans, work and grants as available means of financing the cost of education. Middle-income students have already been seriously hurt by the need analysis requirement on guaranteed student loans. They need an opportunity for reasonable credit through the Guaranteed Student Loan Program. In Tennessee, 96% of our students are paying back their guaranteed student loans. It does not make sense to burden students with heavy educational debts and destroy the program balance we have currently.

Senator SASSER. What is the default rate now on student loans in Tennessee?

Mr. GAMBILL. In Tennessee it's actually a little under 4 percent.

Senator SASSER. And that's one of the lowest default rates in the country if I'm not mistaken.

Mr. GAMBILL. That's correct.

EFFECT OF INCOME CONTINGENT LOAN PROGRAM ON DEFAULT RATE

Senator SASSER. What in your judgment would this Income Contingent Loan Program do to the default rate? Would it be higher or lower than it is presently?

Mr. GAMBILL. I think in Tennessee the default rate would probably enter double digits very rapidly. By the third year of the loan when the amount the student is paying back jumps to such a high figure over what they do the first 2 years, they will be forced into the situation of either bankrupting or just defaulting on the loan.

Senator SASSER. So I take it from your testimony that you frankly don't see the Income Contingent Loan Program as a viable alternative?

Mr. GAMBILL. No, sir, not at all. I think that it would cost students such detrimental harm that they would be afraid of taking a loan of this nature on, especially those from low income backgrounds. And that they would chose not to go to college at all, and that defeats the entire purpose of what we are trying to do in education.

Senator SASSER. Well, I would almost characterize the Income Contingent Loan Program like a Trojan horse. I say this because it would appear as though we still have a loan program for students who wish to avail themselves of it. But the realities of it would be that the loan program would be so punitive in nature with regard to pay backs that no reasonable student would wish to avail himself or herself of that particular loan program because you would be seeing, as you say, payments of over $300 in the third year of the income contingent program and would be very much like paying back the mortgage on a substantial house that could go on for as long as 25 years.

CONTINGENT LOAN PAY BACK STIFLES FUTURE

Now another item comes to mind here. Would you comment on this Income Contingent Loan Program? It appears to me that you're depriving a future generation of the funds that they might need to go to college with this Income Contingent Loan Program as you have described it.

Mr. GAMBILL. Well, I think you're exactly right. In fact, if you look at the example that you gave us earlier of 24 years before the student at the $12,000 income level could pay this loan off at a 9 percent T-bill rate, those amounts just keep rising. The student would have great difficulty not only in sending their children to college—I don't know how they're going to actually participate in our economy because they're not going to be able to look at buying a house or do other things for their family because they've already got a mortgage that they're paying, only it's an educational mortgage instead of a home mortgage.

They would be definitely afraid to take on additional loans for their children to try to go to college if this is the only alternative that they have. I just don't see how they could possibly do it.

LOWER INCOME STUDENTS ABORT EDUCATION

Senator SASSER. Well, Dr. Roaden, I will direct this question to both you and Mr. Gambill. You have both I'm sure seen individuals who have been precluded from getting a college education because an inability to finance it. You indicated, Dr. Roaden, that many of those students who avail themselves of the student aid programs are first generation college students.

Just for the record give us your candid view, both of you, of how the budget proposals that are being advanced by the Administration would affect the problem of trying to give low income and lower middle income students the opportunity to go to college? How is it going to affect them? I think you know the answer, but I would like to hear what you've got to say.

Dr. ROADEN. I don't want to be dramatic about it, Senator, but when you—when you cut back sharply on grants such as Pell Grants that have really been a great boom for low income students and you cut out College Work-Study for students who have been able to work part time while they're going to school, and people in Tennessee know what that's like—the work ethic has been prominent with our people—and you cut out most of the other forms of support that we have now and replace them with the Income Contingency Loan, which Mr. Gambill has pointed out that, you know, it's—it just isn't going to work. These students just aren't going to go to school. They can't afford to.

BUDGET NEEDS STRATEGY TO DEAL WITH EDUCATION

Senator SASSER. Well, I will ask you this, Dr. Roaden. Do you see either a consistency or a long-term strategy for dealing with the educational needs of this country in these budget proposals that are being advanced?

Dr. ROADEN. It's awfully hard for me to detect one, Senator, if there's a long-range strategy there. Most of the discussions have been to the effect that we do have a serious budget problem at the Federal level, and I realize that. And I'm sure that everybody would like to see the budget balanced, provided it did not affect them.

But we are talking about what I believe is the fundamental ingredient in our society for people to get ahead, to enjoy the good things in life, the comfortable things in life, to be successful in their careers. And we are talking about the fundamental ingredient for moving our society ahead in the technological age, to be competitive with other countries.

I mention competitiveness, and we have been embarrassed to note recently that ninth graders in the U.S. don't perform as well in mathematics as they do in other countries. We also have been embarrassed to note that in many respects our productivity, our work productivity, is less than it is in many other countries, and the product quality has been less. But there's some areas where we are more than competitive. For example, most of the basic research is done in this country and not in the other countries, and half of that's being done in our colleges and universities. And we are certainly not behind in trying to provide educational opportunities for all of our students. We believe students ought to go to school that wouldn't have a prayer in another country, and we need to be working with that.

So if you talk about all of these things that are long range in nature and ask does it make any sense to cut back dramatically on the possibility for students to go to college, I don't see any long range in that subject. I'm very concerned about it.

Senator SASSER. Well, I'm very concerned about it, too, Dr. Roaden, and I think we have long held in this country that we want to give people an opportunity to better themselves, and one of the chief means of upward mobility has been education. I fear that reductions in these programs will accelerate what I view as a sharp cleavage that is developing between upper class and poorer class Americans and an evaporation of the middle class.

EDUCATIONAL CUTS AFFECT STUDENTS' CREDIT FUTURE

One final question. We have made a lot of progress here in Tennessee over the past 50 years, but we still are one of the poorer States in per capita income. The last time I looked we ranked about 44th or 45th in per capita income. The question is: Would these cuts in student aid programs impact adversely or in a disproportionate way on a low per capita income State like Tennessee?

Mr. GAMBILL. They definitely would from the standpoint of low income students have the greatest difficulty in being able to have a credit worthiness determined. The Guaranteed Student Loan Program that is out there today, the Perkins National Direct Student Loan that is out there today, provides them the opportunity to establish some credit worthiness and does it in such a way that it does not become a debt burden when they graduate. They have an opportunity for reasonable payments and to be able to control those payments. While they're in school, they do not have interest that is capitalizing on them continually like you would have in the Income Contingent Loan Program, so when they graduate they have the opportunity to establish their credit. They make their pay backs and they're doing a good job in Tennessee with over 96 percent pay back record.

Under the Income Contingent Loan Program the debts would be so great that it would force them, about the third to the fifth year, out to go into a state of either bankrupting on all their other debts or defaulting on the Income Contingent Loan, which would force then all these students to carry out for the rest of their live this bad debt. This stigma placed on them because they could not manage this tremendous debt burden that was placed on them just because they wanted to have the opportunity for an education.

Senator SASSER. Well, gentlemen, I want to thank you for appearing here this afternoon. We are grateful for your testimony, and I must say that you do such a good job, both of you, that maybe we ought to get you up to Washington to appear before the full Senate Budget Committee when we are discussing this whole matter, because I don't think the printed word would quite get the points across that you have gotten across to us today. Thank you very much.

Dr. ROADEN. Thank you for providing the opportunity, Senator.

Senator SASSER. Next, we are going to hear from some recipients of the student aid, who will tell us what their views are on this whole problem. Our first witness will be Mr. Alexander Marshall, a senior at Tennessee State University. He's majoring in mechanical engineering. He has financed his education through the Pell Grant Program, as well as the National Direct Student Loan or Perkins Loan Program. Also appearing with him will be Miss Jean Vaughn, who is not only a student at Middle Tennessee State University, but also is a mother who has two children in college, and her children financed their education through the Pell Grant Program. So Mr. Marshall and Miss Vaughn, if you would come forward. Are they here?

STATEMENT OF JEAN VAUGHN, STUDENT AND STUDENT MOTHER, MIDDLE TENNESSEE STATE UNIVERSITY

Ms. VAUGHN. Thank you, Senator. I would like to say that I'm very grateful that I have this opportunity to express my views. When Mr. Render, who is our financial aid programmer at MTSU asked me to speak, I wasn't sure as to the issues that were going to be brought up today. So I took a little poll in the class that I'm now attending, and the students there—it's kind of a mixture of parents returning to school in order to further their education or to survive, single parents like myself.

I would like to say that Dr. Roaden and Mr. Gambill gave some very good facts that I wasn't aware of. Also, Senator Sasser, I would like to say that——

Senator SASSER. I might interrupt you, Miss Vaughn, by saying that's one reason we're having this hearing, to get these facts out that they know and nobody else knows. It's important for people to know them. Excuse me, go ahead.

GRANTS MAKE HIGHER EDUCATION AFFORDABLE

Ms. VAUGHN. And I'm glad that you have done your homework and brought this to the attention of the people of this area of Tennessee. It will be near impossible—I started at MTSU several years ago and am paying back a loan that I am—that I took out to pursue my education, and it would be a hardship for me to be able to take two students who I feel like are very worthy of having education—a mind is a terrible thing to waste. Several thoughts went through my mind while you were speaking and the other two gentlemen, but there would be no way that I could continue my education or educate my two children and the other two that I have if it was not for the Pell Grant.

The Constitution said that we are all supposed to be given the right of life, liberty and the pursuit of happiness. But with the cuts that President Reagan is trying to put in effect, it would be near impossible for me and people like me even in the upper middle income. $36,000 is a large figure. I have no idea of ever making that kind of money. I'm pursuing to be a teacher, which I think $12,000 or $14,000 would probably be the maximum that I would ever hope to make and would like to make a comfortable living in order to support my children.

The point that you made about education does not only help the person, it also helps make society a better place in which to live in that I have learned a lot. I was telling Miss Greg who is also one of our financial persons and Mr. Killdore and Miss Supay when we were driving down here today that we—we kind of learn so much from being in that type of environment, and a lot of times I have thought, you know, if it was not for the Pell Grant or for financial aid at the university, you know, where would my children be. Would they be, you know, on the streets, out, you know, or in prison or in drugs and that type of thing.

So I would like to commend you highly for bringing this to my attention and me bringing it to the university's students, and they were very vocal in their statements. And one young lady she said that if I had an opportunity to make a statement would I please address the issue of the single parents that is trying to educate their children.

EDUCATION IS NEEDED TO KEEP U.S. COMPETITIVE

So much is learned when you're in the educational realm. You learn about other culture, and one of the facts is that other countries are sending their students here to the United States to be educated to learn our technology and then sending them back to—Japan is one of those countries, Nigeria.

Senator SASSER. China is another one to keep your eye on in the future.

Ms. VAUGHN. And they're all sending their students to be educated plus taking that knowledge back to their countries and make their countries more competitive than we are. So I think that Mr. Reagan is doing an injustice to all of us, regardless of race, religion and economical status that I'm sure that he's not really dealt with the ramification of the cuts that he's proposing to make.

The only other thing I would like to say is that I would like to know what as a parent or as a citizen what should I do or some things that the students at the university could do. They're waiting for me to bring some information back as to, do we need to campaign or do we need to be more vocal at the local level or at the State level.

Senator SASSER. Tell them to write their Congressmen, their Senators or the President. We'll hear from you now, Mr. Marshall.

STATEMENT OF ALEXANDER MARSHALL, STUDENT, TENNESSEE STATE UNIVERSITY

Mr. MARSHALL. First I would like to say good afternoon to you, Senator Sasser, other public officials, friends and colleagues. I would like to thank you for allowing me the opportunity to appear before you and offer my views on proposed budget cuts in financial aid to students attending college.

I have before me a brief written statement that I would like to read, and at the end of which I will be glad to answer any questions that you may have.

My name is Alexander Marshall. I'm a senior at Tennessee State University where I'm majoring in mechanical engineering. It is both a pleasure and a privilege to speak with you today to give you my opinion of the Federal effect—the effect of the financial aid program is going to have on my life.

FINANCIAL AID CHANGES GENERATION COURSE

I'm a 23-year-old native from Memphis, Tennessee where I'm the youngest of 12 children, and I am the first generation of my family to not only attend college, but in May of 1987 I will be the first generation to ever graduate from college. And I would like to say that had it not been for financial aid, I would not have been able to pursue my college education.

My college education has definitely made the difference in my life. I will be graduating in May with a starting salary that matches that of my father. Because of my financial aid—because of my education my financial status will be—my financial status will be what it took him 40 years to achieve. Needless to say, this means that I will be paying just as much of my salary, if not more, in taxes, just as my father does.

Although I come from a middle class family, I would not have had the money to continue my education had it not been for the assistance I did receive from the Federal financial aid program. As I look back over the years of Tennessee State, I can recall many of my classmates who had to drop out of college because they were not able to fund—continue to fund their education, and in this regard I can truly say that I thank God for financial aid.

GOVERNMENT AID IMPROVES QUALITY OF LIFE

As a result of obtaining my education, I will now be better to—be better equipped to raise my family, to be a productive member of society and better serve mankind. When I compare myself with—my status with that of my high school colleagues, I feel that the effect of financial aids ability to improve the quality of life becomes very obvious.

After 5 years of college, I will graduate in May with a job making over $31,000 a year. Many of my high school colleagues who are left behind who are not—who did not go to college, who were not eligible to apply for financial aid will be making somewhere between $7,000 or $8,000 a year from a salary in the dead end jobs working themselves to death for maybe a quarter of what I would be making.

EDUCATION IS MAN'S GREATEST GIFT

In this age of rapid technological development, I count myself as one of the engineers who will hopefully make significant contributions to the continued growth and development of our society. And I hope not to be counted as a mere statistical welfare recipient. It is my strong belief that the greatest gift a man can receive is his education, and his gratitude is measured by the amount of service he or she puts back into the community.

The philosophy of many educators has taught me that the purpose of education is not merely to make men and women learn by doing but also to make sure that we become better people in the process. I dare not think of conditions of this Nation had our forefathers, both black and white, been denied the opportunity to be educated. Among other things, colleges teach their students that they have a duty to return to their communities with their knowledge, skills, training, vision and commitment to improve the quality of life for the next generation.

CUTS IN FINANCIAL AID DEVASTATING TO EDUCATION

In closing, it should be clear that I had—had I not been awarded financial aid in the fall of 1982, I would not be speaking before you today on this nice warm day February 11, 1987 with graduation and the rest of my life just around the corner. Moreover, my statement today is made in protest of the Reagan administration's proposed cuts in Federal financial aid.

Cutting off Federal financial aid would be tantamount to denying the future to many American children. This impact would be more devastating than the bomb that was—that fell on Hiroshima. It would be like taking away the life blood of the Morrill Act of 1862 and 1890, the purpose of which was to bring democracy to American higher education. Cutting off Federal financial aid would be like undoing the great principals of the American Revolution, the purpose of which was to provide all of us the opportunity to develop our talents to the fullest of their potential.

Cutting back financial aid would be an open declaration of war against the poor and less fortunate of our society. In many cases it would also mean declaring war on some middle class members of our society, who though they earn a decent income, cannot afford to completely pay for their children's education. Furthermore, I'm reminded of the scripture, "where there is no vision, the people perish." And if our leadership does not have the vision to reach out and encourage our best and brightest while simultaneously reaching out to our lost and rejected, the budget cuts will cost our society more in the long run. Need I remind you, penitentiary scholarships cost a little bit more than academic scholarships.

Given the technological advances occurring in our society, to deny our children access to financial aid for the purpose of obtaining their education, would be like confining them to the lowest rungs of our social order. Someone would have to answer for these budget cuts in financial aid if they are to be implemented. And I leave with you this scripture quote: "inasmuch as ye have done unto the least of these my brethren, ye have done it unto me." I thank you.

SINGLE PARENTS AIDED BY PELL GRANT

Senator SASSER. Well, thank you very much. Miss Vaughn, you raise a point that I think is worthy of being noted again, and that is the importance of financial aid to single parent households. You note that there has been a virtual explosion in the past decade of single parent households all across this country spanning all sectors of the socioeconomic spectrum in the country. Would it have been possible for you to send your children to college had it not been for the Pell Grant Programs?

Ms. VAUGHN. It would not have been possible for me—for them to attend.

Senator SASSER. And your fellow students, the ones who were talking to you in terms of the problems of single family parents, would they have been able to attend college in your view were it not for the financial aid programs?

Ms. VAUGHN. No; the several that addressed this issue through no fault of their own, maybe through death of their spouse or separation, divorce or whatever the case may be, there would have been no way for them to achieve an education without the help of the Pell Grant. So they were very vocal in this area.

I would like to add that I think we should not penalize a few. I don't know what brought about the cuts and that type of thing. If it was not lack of repayment of grants or whatever or loans, but I don't think we should waste the minds of young—of our future. I'm just fortunate my students—my two children were able to receive just a little bit of money from scholarship because of their high achievement. They are all high achievers and were able to get a little money from scholarships because of their high GPA's 3.4 and 4.0 and that type thing, but had they not been able to do that, had they had to work first and then go to school, I'm sure their GPA would have dropped. Of course, mine kind of fluctuates because I have had to work and that type of thing, but I have been able to maintain a real good GPA because I didn't have to take it on. And some point I did take on two jobs and go to school full time.

WORK WAY THROUGH COLLEGE

Senator SASSER. Well, let me ask a question of you and Mr. Marshall both. We are informal here today and I will relate a little anecdote to you. A few months ago I had the occasion to be in the White House with Senator Byrd and a few other individuals and the President. And while we were sitting there in the cabinet room talking about other matters, Senator Byrd brought up this subject. He said, Mr. President, I have two daughters and my grandchildren are having a very difficult time going to college, and I want to put in a word for some sort of program to help these youngsters. We need to do more to help youngsters who want to go to college. To which the President responded, well, we don't need to do that. They need to work their way through college. That's what I did when I went to Eureka College. I got out and worked my way through college. Well, that was the end of that discussion.

Now if either one of you could go into the Oval Office and have a conversation with the President about student aid, what would you say. And realize that your time with the President would be very brief. What would you say to the President on this whole subject?

Ms. VAUGHN. I guess I would address it—that's fine because I did the same thing, but, of course, I'm sure he had financial help from his family when he was in college. So his family—so he probably worked part time as my daughter is now doing, too, but, of course, she doesn't have another source of income because as head of my household, we just don't have the money. So you have to find a way and look at all sides of the spectrum and look at all of the issues. You cannot—like I said, you cannot judge one situation and make an overall view or statement, something as broad as educating Americans, and I would probably say some other things to him.

Senator SASSER. What would you say to him, Mr. Marshall?

Mr. MARSHALL. Well, being the outspoken person that I am, I would simply say to the President please rescind, cease and desist your efforts to cut financial aid. For if you cut financial aid, you will be cutting the throats of America.

Senator SASSER. Well, you might tell him also that college costs have increased substantially since he went to Eureka College some years ago. Thank you very much. We appreciate both of you being here with us today and helping us. Thank you.

Our next witness is Dr. Otis Floyd, president of Tennessee State University. Dr. Floyd is a distinguished educator who holds a doctorate in administration and supervision from Memphis State University and was previously vice president for administration at Middle Tennessee State University in Murfreesboro. He has served as deputy commissioner of education from 1975 through 1979, and from 1978 through 1979 served as Commissioner of Education. We are pleased to have you here today, Dr. Floyd, and look forward to your testimony.

STATEMENT OF DR. OTIS FLOYD, INTERIM PRESIDENT, TENNESSEE STATE UNIVERSITY

Dr. FLOYD. Thank you, Senator Sasser. My name is Otis L. Floyd, Jr., and I'm interim president of Tennessee State University. I appreciate this opportunity to talk with you today on the most important issue, the impact of the administration's proposed budget for student financial aid.

Allow me first, Senator, to officially welcome you and your staff to Tennessee State University. We are very pleased that you chose to host this meeting at Tennessee State University. May I also note that this is a very special time for the Tennessee State University community. We are celebrating our 75th anniversary. This proud institution opened its doors in 1912. We have planned a series of special events over the course of 1987 in celebration in our 75 year history. Senator, I hope you will accept my invitation to join in our celebration. If the proposed cuts go through, I'm beginning to wonder if we will be here for another 75 years.

With respect to the topic at hand my remarks will be brief. I will attempt not to repeat the comments and opinions of those who have spoken before me. If you wish to have my remarks in writing, I will be happy to provide them following today's hearing with a prepared text.

BUDGET CHANGES HURT STUDENTS AND SCHOOL

I will begin by saying that the proposed budget changes in the Federal student aid program could have a disastrous effect on perspective and current Tennessee State University students participating in the program as well as Tennessee State University as an institution. Many of our students rely heavily upon student aid. Of our 7,000 students, approximately 75 percent participate in one or more of these programs. We currently administer $10.3 million to these students.

Any cuts in funding or further restrictions in regulations must not occur. The result would be to deprive worthy students of access to higher education in general and in Tennessee State University in particular.

Let me cite to you some specific concerns that I have with the proposed budget and the changes in the aid program. Number one, I think it is wrong to eliminate the campus based programs. Work-Study, SEOG and NDSL. Each program is essential and compliments the others in function and in form. There is a balance which must not be upset. With respect to Work-Study, to deprive students of a work opportunity is poor, misguided policy.

Number two, to replace the campus based program with Income Contingent Loans, IGL, ICL, further adds insult to injury. As others have said, the ICL Program may look good on the surface, but we believe it is deceptive from the standpoint of the student as a consumer, and regressive policy to replace the debt burden on those who can afford it the least.

SOCIETY BENEFITS FROM STUDENTS' EDUCATION

The third that I take issue with is with the over-arching notion of the President that students are the prime beneficiaries of their investment in higher education. It is, therefore, reasonable to expect them, not taxpayers, to show remorse of the cost of that investment. That notion totally ignores the value of an educated individual to society and to our Nation.

If you apply the administration's topic in this regard to the military, which he holds highly, it is like saying that a marine is the prime beneficiary of boot camp, so just let him pay for it.

LOCAL STUDENTS FIND TUITION EXPENSIVE

Number four. Many people far underestimate the cost of attending a public institution or university like Tennessee State University. For financial aid purposes, which are conservative, the recognized annual cost of attending Tennessee State University ranges from $3,000 for a local student living at home, to $7,000 for an out-of-State student living off campus, plus an additional $1,100 for each dependent. So what—so while public education—public higher education is low cost compared with our sister institutions in the private sector, the cost of attending Tennessee State University is considerable, particularly if you have low or modest financial resources.

FEWER STUDENTS MEAN FEWER STATE DOLLARS

The fifth, there is another dimension which concerns Tennessee State University as an institution. It is a distant second to our concern for individual students who would be adversely impacted by the proposed budget. But it is nonetheless a real concern. That is, the proposed budget and program changes will certainly mean fewer students for Tennessee State University. A large part of TSU's operating budget is funded by State dollars. The level of funding is determined by a funding formula that is driven by the number of students registered each fall.

Simply stated fewer students means fewer State dollars. Over a period of time, those fewer dollars translates into cuts in academic programs and personnel, the very resources that generate a university's growth and determines its service to society.

TSU, Tennessee State University, has been on the down side of the enrollment/funding cycle for a number of years. We cannot afford another year's decline in enrollment as the proposed budget will do.

BUDGET CHANGE AFFECTS DESEGREGATION

I will express my final concern to you in the form of a question. That is, has anyone fully analyzed the impact of the proposed budget and changes on desegregation. Tennessee's public colleges and universities are deeply involved in our statewide higher education desegregation lawsuit, a basic premise of which is to increase black participation in higher education. Beyond the issues of which college black students attend is the most important issue of having access to college, which this will deny them. Although some agency may have already performed this kind of assessment, I have not seen any data. I would submit that desegregation must be a major consideration as Federal financial aid policy is deliberated by Congress.

NATION NEEDS QUALITY EDUCATION PLAN

I will close by one remark. I went through the Swaziland in South Africa and stopped over in Germany. I saw the best of two worlds that America was helping. The last one was U.S. aid to help them produce and market and feed themselves. But the other bothered me in Germany. It said to me that we in America if we could use a Marshall Plan to rebuild Europe, why is it that we cannot provide a quality education to the young men and women in this nation of ours and do away with the unemployment, especially among black youth, which surpassed 50 percent. Thank you.

BUDGET PROPOSALS WOULD HURT STUDENTS

Senator **SASSER**. Thank you very much, Dr. Floyd. Let me just ask you this question. In traveling around the State I learned that—for example, last evening I had dinner with the Chancellor of the University of Tennessee at Martin, and she indicated to me that 60 percent of the students there receive financial aid. Now this morning we held hearings at the University of Tennessee in Knoxville, and there we learned that 60 to 65 percent of the students at the University of Tennessee in Knoxville are recipients of financial aid of one kind or another. I think you have indicated that 75 percent of your students at Tennessee State University are recipients of financial aid of one kind or another.

What would be the impact, in your view, if these proposals were put into effect, what percentage of the student body at Tennessee State University would be forced to drop out of school? Do you have any rough estimate of that at this juncture?

Dr. **FLOYD**. I wouldn't have a rough estimate because I don't think it would take complete aid away from all of the students, but it would substantially hurt that 75 percent. If I had to guess, I would say that probably we'd have $10.3 million now, which would—in the proposed plan we would only have $4.8 million, so that would say to you that it would adversely affect over 50 percent of the students there in some way.

Senator **Sasser**. Now when Secretary Bennett appeared before the Senate Budget Committee, among other things, he said, well, $500 or $600 is not going to make any difference as to whether or not a student stays in school. What is your reaction to that?

Dr. **Floyd**. I wish he would come to Tennessee State or if he had been like Otis Floyd, a poor rural West Tennessee youngster, sometimes even the $50 mean a lot to Tennessee State University students because $50 to buy books so they can attend classes mean a lot, let alone the $600 he's talking about. I'd say that he ought to get attuned to what society and America is all about.

Senator **Sasser**. Interestingly enough, we had a young woman, a student at Memphis State University yesterday who was majoring in journalism, who testified that she found it remarkable that the Secretary of Education, Mr. Bennett, would propose cutting student aid when he was a recipient of student aid when he went to Harvard Law School.

Dr. **Floyd**. Some of us easily forget, Senator.

Senator **Sasser**. In any case, Dr. Floyd, thank you very much for appearing here this afternoon, giving us the benefit of your views. Thank you very much.

Our final witness will be Mr. Marvin Flatt. Mr. Flatt is the assistant commissioner for vocational education in the State department of education. Prior to this, he was a teacher of agriculture and assistant principal at the Westview High School in Martin, Tennessee. Mr. Flatt received his bachelors degree in agriculture from the University of Tennessee at Martin and a masters degree in education from the same institution. Mr. Flatt, we welcome you here today and would be pleased to hear any testimony that you might wish to offer.

STATEMENT OF MARVIN FLATT, ASSISTANT COMMISSIONER FOR VOCATIONAL EDUCATION, TENNESSEE STATE DEPARTMENT OF EDUCATION

Mr. **Flatt**. Well, thank you, Senator Sasser. First of all, let me say I bring you greetings from Tennessee's Commissioner of Education, Doctor Charles Smith, and express to you our appreciation for allowing us to come and testify before you. I would like to spend just a few moments addressing the impact of federal legislation on vocational programs in Tennessee.

ADMINISTRATION'S BUDGET WILL REDUCE VOC ED

Secondary vocational education, which is one thing that has not been mentioned much today, is serving more than 200,000 students in Tennessee. This represents 54 percent of the secondary students enrolled in this State. Vocational education has grown here and nationwide. Definitely if the Federal Administration's budget is adopted there will be a reduction in vocational instruction in this State.

TENNESSEE FIRST STATE TO FUND VOCATIONAL ED

Tennessee had the first federally funded vocational program in the Nation following the passage of the Smith-Hughes Act in 1917. Leadership in the State saw the importance of Federal funding to supplement State funds in offering more for the students. Prudent utilization of these funds offer many benefits that State funds alone could not offer.

Let's take a look at the present Federal legislation. It's difficult to look at the Carl Perkins Act strictly from the statement without first looking at the national impact. Reduction or elimination of Federal funds for vocational education will destroy the emphasis of economic development for which this piece of legislation is targeted.

Let us look at some of the basic reasons for Federal legislation. Contributions in deficit reduction by increasing the peoples ability to pay taxes and increasing their reliance on unemployment and welfare payment. It strengthens our national defense by reserve members of the military. Combats the dropout rate from secondary schools. It strengthens the basic skills as part of job training programs. Trains and retrains displaced workers. Promotes economic development through partnerships with business and industries. Provides small business and industry with an immediate worker. Small business cannot afford expensive training programs.

VOCATIONAL EDUCATION VITAL TO ECONOMIC DEVELOPMENT

Many times the impact of vocational education toward economic development is not understood without some basic statistics. I would like to point out some validated research demographics on the national level. Vocational education serves 19.5 million students in 760,000 programs in over 28,000 institutions across this country.

650,000 vocational graduates enter the military every year, bringing with them technical knowledge, basic occupational skills and leadership training imparted to them by vocational education. Quality of vocational education and work experience are powerful components in dropout prevention. Vocational students can earn more on the job, require less on-the-job training and are more productive than non-vocational students. Over 85 percent of the employers responding to a survey said they preferred hiring vocational graduates rather than a non-vocational graduate for jobs requiring less than 4 years—a 4-year degree.

LEARNING THROUGH APPLICATION

Most of the rhetoric coming from the present Federal administration is based on the research entitled, The Nation at Risk, which cannot be valid research for vocational education because no one on the team had vocational experiences. Some later research such as, The Unfinished Agenda, and others refute the arguments in The Nation at Risk as it pertains to vocational education.

Basic education has always been taught in a vocational setting with hands-on application. It has been proven many times that learning through application is not only quicker but permanent. A letter from the American Vocational Association president, Jim

Giulinger, to President Reagan recently pointed out significant misunderstandings of the intent of the Carl Perkins Act and are simply not listening to the players of the world of work.

Some of these points are how can the administration eliminate programs that have economic development as its purpose? The administration is simply not listening to the American taxpayer. The administration is simply not listening to the thousands of displaced workers who have found a means for new careers through vocational education. They're not listening to parents, who in each year's Gallup poll of education reaffirm their support of vocational education as an essential part of comprehensive education. They're not listening to Congress which spoke decisively in support of vocational education by increasing Federal funds $70 million last year. They're not listening to the American electorate, which prefers a well-trained citizenry to a nation of individuals who create a drain on the treasury through their dependency on social programs.

VOC ED HELPS CURE NEGATIVE STATISTICS

Vocational education offers irrefutable facts about its graduates to assist in the elimination of: staggering annual bill for welfare, continuing decline in productivity and trade imbalance, growing epidemic of teenage pregnancies, alarming numbers of displaced workers who need vocational training to succeed, school dropouts, illiteracy by teaching the basic skills through application, and a void in training leadership through vocational youth leadership programs.

NO JUSTIFICATION FOR CUTS

If we could look for a minute at the rationale the present administration is using to cut Federal funding, it is easy to understand that the personnel from the world of work was not queried.

They say that in the first half of the century the Federal Government was a major force in providing vocational training to the Nation's young people. But today the Department of Education is a minor player. The local and State government is spending $11 to the Department of Education's $1.

My response to that is the administration again is looking at only dollars and not outcomes to these expenditures. These State dollars go for teacher salaries for the most part. The need for Federal dollars is to provide seed money for program innovation, expansion and improvement to meet the changing job requirements. Some examples of these expenditures are: relevant curricula that refects new technology requirements in the job market today. An evaluation system that will give immediate feedback to relevancy of the curricula. To incorporate more and a higher level of math, science and communication in vocational studies. To provide practical training for disadvantaged and handicapped youth in a mainstream concept which has proven the best method of learning for these students. To give the incarcerated persons a skill to provide like essentials after release from confinement. To give the women employment without concern of vocational equity. To provide adult short courses for job transition from manufacturing and mining to the service trades. To provide national research and a delivery system to inform the complete Nation on successful programs. To provide national research and a delivery system—to use program improvement funds to help local educational agencies to upgrade equipment to present demands of business and industry, renovate facilities to accommodate high technology equipment and construction of functional facilities. And to provide career information to young people to allow them to make relevant choices of vocations.

These are some of the things that present Federal funds are buying, and without these funds the State would be required to eliminate most of these programs.

The same philosophy prevails today that was evident in 1917 when the first Federal legislation was introduced: A greater need today for a technological nation in business and industry, agriculture, business education, and a system to market these. National leadership and research to offer continuity to State efforts. To educate the total population for employment.

Yes, the States are providing a big portion of dollars that go into vocational education. Most of these are used as a continuation effort of existing programs. Most States will not appropriate the extra money for the ancillary services that is necessary for vocational education to improve. It is inconceivable that vocational informed persons would suggest a cut in Federal vocational education. Therefore, it must be assumed that the administration's budget request was developed without the input of knowledgeable people from the work place, community service or economic development sector.

EFFECTS OF FEDERAL FUNDING ON STATE

Now, what does federal funding mean to Tennessee? Its elimination will mean that Tennessee will not serve 48,266 secondary disadvantaged students, 13,860 post-secondary disadvantaged students, 14,865 secondary handicapped students, 499 post-secondary handicapped students, 129 secondary incarcerated students, 320 post-secondary incarcerated students, 22,357 students in part-time adult to up-grade or retrain for employment, 49,979 secondary consumer and homemaking students and 2,400 community based students in cooperation with other agencies.

It will eliminate $7.4 million that flow through directly to local educational agencies for: the upgrading of antiquated equipment to meet present employment demands. To provide teacher education and professional development for teachers and vocational staff. To provide curriculum development for implementation at the local level. To offer local education agencies the benefit of current research for improving existing programs. To offer guidance and counseling to students to help in career development. To provide seed money to the local educational agencies for pilot programs that leads to national certification of programs. To offer students an opportunity to enroll in pre-apprenticeship and apprenticeship programs.

These are some of the necessary programs that must continue if Tennessee is to continue to provide leadership in the South in economic development.

I ask for your support to not only continue support for the Carl Perkins Act, but increase its benefits. We appreciate your voting record for vocational education legislation, and with your support in Congress, vocational education in Tennessee will prosper.

Mr. Chairman, this ends my statement. I do have a chart I would like included.

Senator **Sasser**. It will be included at this point.

[The following was supplied for the record by Mr. Flatt.]

Tennessee Vocational Funding
Federal Funds
for State School Years
1987-88 & 1988-89

		1987-88 School Year Current Budget	President's Proposed Budget for 1987-88 School Year	President's Proposed Budget for 1988-89 School Year
Funding Total		19,398,601	9,841,704	0
Funding Basic Grant		18,592,575	9,716,056	0
Administration		1,301,480	680,124	0
GRANTS -A & B		17,291,095	9,035,933	0
Part A		9,855,924	9,035,933	0
Part B		7,435,171	0	0
Consumer & Homemaking		564,359	0	0
State Council		134,623	125,648	0
Community Based Organizations		107,045	0	0
FEDERAL FUNDS BREAKOUT:				
GRANT TOTAL		18,592,575	9,716,056	0
ADMINISTRATION		1,301,480	680,124	0
BALANCE AVAILABLE FOR GRANTS		17,291,095	9,035,933	0
TITLE II PART A		9,855,924	9,035,933	0
HANDICAPPED	10.00%	1,729,109	1,585,251	0
DISADVANTAGED	22.00%	3,804,041	3,487,553	0
ADULT	12.00%	2,074,931	1,902,302	0
SINGLE PARENT	8.50%	1,469,743	1,347,464	0
SEX BIAS	3.50%	605,188	554,838	0
CORRECTIONS	1.00%	172,911	158,525	0
PART A SUB TOTAL	57.00%	9,855,924	9,035,933	0
TITLE II PART B		7,435,171	0	0
EXEMPLARY PROJECTS		200,000	0	0
LOCAL FLOW THRU		4,523,341	0	0
TEACHER EDUCATION		1,572,960	0	0
RESEARCH		80,751	0	0
CURRICULUM		414,191	0	0
GUIDANCE & COUNSELING		643,928	0	0
PART B SUB TOTAL		7,435,171	0	0
TOTAL PARTS A & B		17,291,095	9,035,933	0
COMMUNITY BASED ORGANIZATIONS		107,045	0	0
CONSUMER & HOMEMAKING		564,359	0	0
GRAND TOTAL		19,263,978	9,716,056	0

CUTS WOULD FORCE TENNESSEE TO ELIMINATE PROGRAMS

Senator SASSER. What would be the impact of the elimination of Federal funding for vocational education on the State of Tennessee as the administration is proposing?

Mr. FLATT. Well, as I have just mentioned, those items that I have just covered would be totally eliminated. The major impact on Tennessee, some of the areas would be that the traditional courses would be taught using outdated curriculum materials, antiquated equipment that cannot be updated, teachers will not have a chance for professional development in the increasing demands today in an ever changing society. And as fast as technology is improving, this is an important one.

DEMAND FOR VOCATIONAL ED TRAINING RISES

Senator SASSER. Let me just ask you this. Are the demands for vocational education in Tennessee increasing or diminishing now?

Mr. FLATT. Increasing.

Senator SASSER. Increasing. And you really have more applicants for vocational education than you can handle adequately with the present funding available; is that a fair statement?

Mr. FLATT. That's very true.

Senator SASSER. So, if you get additional budget cuts, then, of course, you're going to have to turn away I would guess additional students who might come to you for vocational training?

Mr. FLATT. That's correct. We would not be able to improve what we have.

STATE UNABLE TO ABSORB FEDERAL FUNDS SHORTFALL

Senator SASSER. Now, Mr. Flatt, I have seen some statements that Governor McWherter has made, and as a matter of fact saw some photographs of him in the newspaper with charts similar to these in which he was indicating revenue shortfalls or spending that had taken place here in the State indicating that State government was going to have to cut back. If the Federal funds are deprived from the vocational education program, is there any hope that the State of Tennessee could pick up the slack and substitute State funds for the Federal funds?

Mr. FLATT. No, sir. There's no way Tennessee could make up that deficit.

VOC ED CUTS COUNTER-PRODUCTIVE TO COMPETITIVENESS

Senator SASSER. Well, we hear a lot of talk about making America competitive again. I think that's going to be one of the big issues in the next couple of years. Would it be your view that cutting Federal funding for vocational education is counter-productive to the stated intention of making America and American products more competitive in the international marketplace?

Mr. FLATT. Yes, sir. That's one thing I mentioned that vocational education is the basis for millions of technological advances that the United States has seen in the past few years, but this technology is not increased in the United States as fast as other countries, and it will not with the cutback in vocational education. You're going to see United States fall further and further behind.

Senator SASSER. Well, Mr. Flatt, I thank you for appearing here this afternoon. And as I said earlier, your entire statement will be included in the record as if read, and we will examine it and point out to our colleagues in the Senate the importance of these vocational education funds. You're our only vocational education witness here today so your testimony is very, very important, and vocational education is very, very important to the State of Tennessee, and, of course, to our sister States in the southeast. So I thank you very much for appearing here and giving us the benefit of your views.

Mr. FLATT. Thank you.

Senator SASSER. Let me conclude by saying that we are going to keep this record open for an additional 30 days for any interested individual who wishes to have a statement included. And if they wish to do so, they can contact my local office here in Nashville in Room 569 in the U.S. Courthouse.

I want to again thank all of our witnesses for appearing here today. The function of these hearings across the State have been two-fold. As I said earlier, we are gathering testimony that will be presented to my colleagues on the Senate Budget Committee as we deliberate on the administration's budget proposals with regard to education. But secondly and perhaps equally as important, these hearings are designed to educate, if you will, the general public as to the importance of Federal aid to education here in the State of Tennessee, and the dangers that we may be facing if these proposed cuts do indeed become a reality.

I thank you all for coming, and I declare these proceedings closed. Thank you very much.

[Whereupon, the hearing was concluded at 4:30 p.m.]

STATEMENT OF THE CHANCELLOR, UNIVERSITY OF TENNESSEE--MARTIN

If the proposed financial program is approved and acted upon, The University of Tennessee at Martin will have almost $3 million less funds available for student financial aid. These cuts mainly affect the college work-study program and various types of loans. The majority of UT Martin students receiving financial aid fall under these two categories.

By its nature, the proposed financial program will have a strongly adverse effect upon the opportunity of many promising students to attend colleges and universities across the nation.

Some specific examples of students currently enrolled at UT Martin who would be affected under the proposed program follow:

1. A black senior hailing from Hardeman County, with a 3.39 GPA. His two parent, three member family has a yearly income of $18,922. He needs $4,424 in financial assistance to continue school. Currently, he receives the Pell Grant, a TSAC and scholarship assistance.

2. A white junior hailing from Davidson County, with a 3.51 GPA. His one parent, two member family has a yearly income of $15,332. He needs $3,094 in financial assistance to continue school, which is currently covered by NDSL and TSAC.

3. A white freshman hailing from Carroll County, with a 3.13 GPA. His two parent, five member family has a yearly income of $24,744. He needs $2,984 in financial assistance to continue school, which is currently covered by a scholarship, the NDSL and college work-study.

The current financial aid program works fairly well. One of the attractive features of financial aid to students is that a combination of part-time work (CWS), loans and outright grants could be structured. In this way, the student and the student's family can share in the costs of a college education.

Some advantages of the college work-study program, to be totally abolished under the proposed program, include valuable work experience for the student and needed labor for the University. Without work-study, many new graduates will be forced to compete for jobs while handicapped by insufficient work experience.

The puzzling part of the proposed program is that student effort through work and repayment of loans will be phased out. Only outright grants (Pell) and a significantly reduced guaranteed student loan program will remain.

We believe that the financial aid program has had the effect of educating people who otherwise were headed toward being net consumers of federal assistance programs.

LETTER FROM CLEVELEND STATE COMMUNITY COLLEGE STUDENT

Dear Senator:

As a student at Cleveland State Community College who receives financial aid, I am deeply distressed by President Reagan's proposed cuts in educational funding. If allowed to pass the Congress, these cuts would make it virtually impossible for me and hundreds of thousands of other students like me to attend secondary schools.

Enclosed with this letter, please find one copy of an editorial I recently wrote for our school newspaper, The Cherokee Signal. I hope you will find it interesting and informative.

I would like to bring to your attention a couple of points I was unable to address in the editorial due to a shortage of space. First, I have been informed that the proposed cuts call for the total elimination of the College Work Study Program. I feel this would be a tragic mistake. This is probably the most productive program in the financial aid system. The elimination of this program would hurt not only those students who need it, it would also affect all students because it would force colleges and universities to hire people to do the tasks presently assigned to work-study students. The cost of hiring extra personnel would invariably be passed on to all students in the form of higher tuition rates.

Second, I do not see any major funding cuts being proposed for federally funded student loans. These programs seem to be the ones which are the least economically feasible. Many students do not even bother to make the effort to repay them. The portion of the interest on the loans subsidized by the federal government is paid at a substantially higher rate than the interest collected from the loan recipients. It is possible for the U.S. government to be forced to carry the burden of paying this interest for 10 years while the recipient completes his/her education. When students do begin repaying their loans, they can spread the payments out over such a long period of time that the program becomes even less cost-effective. It would seem that it is less expensive for the government to award grants than to pursue this course.

I would like to offer my assistance in helping prevent passage of these devastating cuts. If your office has petitions, for example, that would help to prevent such passage, I would be happy to circulate them in the Southeast Tennessee area. I am sure I could find assistance from students at the other area colleges (UTC, Chattanooga State, Tennessee Wesleyan) and local vocational schools.

I would like like to express my appreciation to you for the fine job you are doing in representing your constituency.

Respectfully yours,

Michael M. Kubba